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CONTENTS

TERRORISM

FEDERAL REPUBLIC OF GERMANY

- Report Claims Revolutionary Cells Involved in Runway Protest
(FRANKFURTER ALLGEMEINE, 19 Feb 82) 1

ENERGY ECONOMICS

FEDERAL REPUBLIC OF GERMANY

- Matthoefer Links Oil Import Reduction to Employment Program
(Michael Jungblut; DIE ZEIT, 29 Jan 82) 2
- Resolution Opposing Bonn Nuclear Policy Planned for SPD Congress
(DER SPIEGEL, 1 Feb 82) 7

GREECE

- Government's Policy on Petroleum Purchases Questioned
(A. Kyriakis; I VRADYNI, 6 Feb 82) 9
- Electric Power Agreement Signed With Albania
(ELEVTHEROTYPIA, 9 Feb 82) 12
- Drop in Crude Petroleum Procurement Announced
(I KATHIMERINI, 11 Feb 82) 13
- Construction of Two Lignite-Fueled Power Plants
(I KATHIMERINI, 6 Feb 82) 14

ECONOMIC

DENMARK

Devaluation To Affect Agriculture, Government Support (BERLINGSKE TIDENDE, 22 Feb 82)	15
Jorgensen Denied Greater Devaluation, by Dan Axel, Lisbeth Knudsen	
EC's "Green Krone" at Issue, by Frank Dahlgaard	
Will Affect Budget Negotiations, by Dan Axel, Lisbeth Knudsen	
Paper Blames Jorgensen Policies, Editorial	

FEDERAL REPUBLIC OF GERMANY

Von Amerongen on Growth, Employment Measures, Sanctions (Rainer Nahrendorf; HANDELSBLATT, 19-20 Feb 82)	20
Economic Aid Affected by Budget Cuts (Klaus Broichhausen; FRANKFURTER ALLGEMEINE, 4 Feb 82)	23
Financial, Environmental Problems Halt Main-Danube Canal (Rolf Linkenheil; RHEINISCHER MERKUR/CHRIST UND WELT, 5 Feb 82)	26
IFO Study on Lack of Cooperation in Construction Industry (HANDELSBLATT, 18 Feb 82)	29

GREECE

Soviet Union Wants More Vessels Repaired in Greek Shipyards (RIZOSPASTIS, 11 Feb 82)	31
Economic Agreement Signed With Romania (Athens Domestic Service, 26 Feb 82)	32
Briefs	
Minerals for Romania	33
EEC Loans	33

ICELAND

Report Shows 11 Percent Export Decline in 1981 (MORGUNBLADID, 13 Feb 82)	34
---	----

ITALY

PCI Senator Macaluso Interviewed on Problems of South (Macaluso Interview; POLITICA ED ECONOMIA, Dec 81)	36
---	----

Report on Proposed Medium-Term Industrial Plan
(Franco Momigliano; L'INDUSTRIA, Jul-Sep 81) 39

Incentives for Industrialization of the South
(Paolo Baratta; L'INDUSTRIA, Apr-Jun 81) 56

TURKEY

Adana-Based Company Reports Cement Exports to Iraq, Syria
(YENI ADANA, 22 Jan 82) 61

Large Deposits of Low-Grade Chromite Discovered in Adana
(YENI ADANA, 21 Jan 82) 62

POLITICAL

AUSTRIA

Paper Comments on Problems in South Tirol
(Editorial, Andreas Unterberger; DIE PRESSE, 15 Feb 82) 63

FEDERAL REPUBLIC OF GERMANY

Albrecht Expects CDU Victory in Lower Saxony
(Wolfgang Tersteegen; FRANKFURTER ALLGEMEINE, 20 Feb 82) ... 65

Transport Minister Hauff Interviewed on SPD, Environment
(VORWAERTS, 21 Jan 82) 67

SPD Foreign Policy Draws Criticism From Europe's Socialists
(DIE ZEIT, 15 Jan 82) 70

SPD Seen Losing Ground in Bremen
(Wolfgang Heyen; FRANKFURTER ALLGEMEINE, 27 Feb 82) 73

FDP/SPD Disagreement on Economy Seen as Crack in Coalition
(DER SPIEGEL, 22 Feb 82) 76

SPD, FDP Factions Disagree on INF, Economic Policy
(NEUE ZUERCHER ZEITUNG, 17 Feb 82) 80

Local SPD Stands on NATO Dual Decision Noted
(DIE WELT, 10 Feb 82) 83

Hesse Greens Announce Economic Policy
(DIE WELT, 8 Feb 82) 85

Disputes on Job Creation Program Continue in Coalition
(FRANKFURTER ALLGEMEINE, 15 Feb 82) 86

Briefs		
Greens Oppose New Party		88
Greens Reject Schubart		88
FRANCE		
PCF Power Increase Via Civil Service, Universities Seen (Jean-Marie Domenach; L'EXPANSION, 5-18 Feb 82)	89	
FINLAND		
Paper Cites Evidence of Sorsa's Political Skill (Editorial, Jan-Magnus Jansson; HUFVUDSTADSBLADET, 14 Feb 82)	91	
ICELAND		
Bill Would Appoint Security-Affairs Expert in Ministry (MORGUNBLADID, 10 Feb 82)	94	
ITALY		
Two PCI Council Members in Catania Resign (GIORNALE DI SICILIA, 7 Feb 82)	95	
NORWAY		
Briefs		
Stray Backs U.S. Caribbean Plan		96
SPAIN		
PCE Central Committee Surveys National Scene (MUNDO OBRERO, 12-18 Feb 82)	97	
Defeat in Andalucia Will Be Traumatic for PCE, Carrillo (Joaquina Prades; EL PAIS, 13 Feb 82)	114	
CEOE Seen Mobilizing Against Socialists (Ernesto Castillo; EL SOCIALISTA, 10-16 Feb 82)	117	
Fraga: Good Show in Andalusia Will Lead to AP-UCD Coalition (Joaquina Prades; EL PAIS, 23 Feb 82)	120	
Gonzalez's Bid To Reassure Bankers Will Not Sway CEOE (Joaquin Estefania Moreira; EL PAIS, 21 Feb 82)	123	
SWEDEN		
Stockholm Paper Views Background to New Finnish Government (Editorial; SVENSKA DAGBLADET, 20 Feb 82)	126	

TURKEY

Foreign Minister Turkmen Interviewed on Mideast Policy (Ilter Turkmen Interview; AL-MAJALLAH, 20-26 Feb 82)	128
Systematic Torture Allegedly Carried Out by Police (LE MONDE, 19 Feb 82)	131
Evren's Visit to Bulgaria Viewed (Editorial, Oktay Eksi; HURRIYET, 1 Mar 82)	133

MILITARY

FEDERAL REPUBLIC OF GERMANY

Expert Discusses Destroyers Intended for Navy, Export (Harald Fock; MARINE-RUNDSCHAU, Jan 82)	135
--	-----

GREECE

Papandreou Gives Assurances, Support to Military (AKROPOLIS, 25 Feb 82)	140
--	-----

NETHERLANDS

Problems, Changes in Civil Defense System (Coen Van Harten; ELSEVIER'S MAGAZINE, 23 Jan 82)	143
--	-----

TERRORISM

FEDERAL REPUBLIC OF GERMANY

REPORT CLAIMS REVOLUTIONARY CELLS INVOLVED IN RUNWAY PROTEST

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Feb 82 p 5

[Report: "Revolutionary Cells Said to Take Advantage of Citizens' Protest"]

[Text] Bonn, 18 February--According to the Federal Office for the Protection of the Constitution (BfV), the terrorist organization "Revolutionary Cells" (RZ) is taking "intensive" advantage of the citizens' protest against the proposed west runway of Frankfurt's Rhine-Main airport for its own purposes. The Federal Ministry of the Interior has published a report which claims that the Revolutionary Cells are regarding the protests as a "unique opportunity" for spreading their message of an "imperialist threat" by the United States in a thoroughly effective manner.

The BfV is basing its statements on quotations from letters in which the Revolutionary Cells claim responsibility for several attacks, in which the runway is described as "a concrete runway for capitalist war interests" and which claim that the fight against that project was hurting the "U.S. imperialists" in a "strategic undertaking." This fight, they state, must be conducted at two levels: "One, outside in the forest as a mass demonstration and two, by widespread sabotage by militant cells."

The BfV concludes that additional "dogmatic" and "non-dogmatic" left-wing groups--just about the entire spectrum--are attempting to superimpose specifically anti-American arguments upon the protest. Warnings against increasing air pollution, noise and destruction of a suburban recreational area are to be "increasingly deemphasized in favor of protest appeals which would proclaim the resistance against an additional Frankfurt airport runway as a "fight against preparations for war," as a part of "peace movement" protests or as a rebuke to a "life-threatening system." The German Communist Party has claimed for several months that the runway is being built for purely military purposes; the Communist Federation (KB) is making similar statements. The Communist Federation of West Germany (KBW) is calling attention to the military significance of the Rhine-Main airport "next door to the U.S. air base."

9273
CSO: 3103/287

MATTHOEFER LINKS OIL IMPORT REDUCTION TO EMPLOYMENT PROGRAM

Hamburg DIE ZEIT in German 29 Jan 82 p 17

[Article by Michael Jungblut: "Out of the Crisis With Energy. Higher Taxes on Oil and Natural Gas for an Employment Program?"]

[Text] Federal Minister of Finance Hans Mattheofer was so irritated at the "civics teachers" in the Council of Economic Advisors that he threatened "to dump them if they keep it up." The "piling up of banalities" in their report on West Germany's economic condition no longer seems to him to be worth the 1.5 million marks the state puts up to finance the efforts of the independent economists.

Yet when the same school masters' statements fit into his frame of things, even Hans Mattheofer thinks it worth his time to quote from their findings. When the issue is higher taxes on energy consumption, any ally will apparently suit him.

A tax on natural gas consumption, higher taxes on gasoline and heating oil are at the core of a program to create employment, to restructure the German economy and to reduce energy imports, for which Hans Mattheofer has been beating the drum for months--though without success. Until now his proposals have been snubbed by the government and his own party although leading figures in the FDP have conceded that they are "very much worth thinking about."

But now it seemed to Mattheofer that the time had arrived to put himself and his ideas back into the game again. For this tactician in the Ministry of Finance it was clear, as Konrad Adenauer used to say, that the situation was ripe.

In the fight over the substance and purpose of an employment program the SPD and the FDP have succeeded in checkmating each other. Federal Minister of Economics Count Lambsdorff was able to pull off the remarkable trick of carrying himself off the field on his own shoulders when he once again last week surprised friends and foes alike by discarding proposals that he had only the day before supported or even put on the agenda himself. All that was keeping the cabinet from admitting that "nothing works any more" was the

awareness that nothing can happen that isn't allowed--an insight which it shares with the German trade unions. During the closed sessions of the German Trade Union Federation in the Bavarian town of Lam, at which the results of conferences with the cabinet, the Bundesbank, parties and employers were discussed, the assembled union leaders came to the conclusion that "we can't conclude our round table conference with nothing in our hands and neither can we wind it up without making some kind of compromises."

The plan for a compromise which might let the Federal Government find some way out of the blind alley that it has wandered into through its own fault has been in Hans Mattheofer's desk drawer for weeks. His "Operation 82," with which the federal budget could be cut back to a tolerable level, was for Mattheofer even last September only "a first step, which will be followed by a second one, when the time for it is ripe."

The increase in taxes on oil products and natural gas is for the SPD political leader who likes to take credit for being "the longest reigning social democratic finance minister in the history of Germany" not a financial conjurer's trick but rather the central element of a comprehensive program. Hans Mattheofer typed it out himself during his last vacation--until now no one had wanted to read it.

The point of departure of his reflections is the fact that the German economy has been stuck "since the second oil price shock in the longest period of stagnation in its history." The result is an intolerably high unemployment rate of long duration. This problem is only going to be intensified by the prospect of young people, born during the baby boom, coming into the labor market in the next few years. If we don't want to march forward through the 80's with an army of millions of unemployed, then 2 million additional jobs will have to be created during the first half of the decade. What is happening now is just the opposite. Eight thousand bankruptcies last year alone have led to the irreversible loss of several hundred thousands of jobs.

To turn this pattern around, the most important thing to be done is to lower the present high interest rates, which Mattheofer sees as one of the primary causes of today's unemployment problem. "Six percent interest, over and above the rate of inflation, is something that has never before existed in German economic history," was the minister's statement as he tried to explain the dimension of the interest problem recently to a group of businessmen. "A reduction of the interest rate by 2, 3 or even 4 percent would to my mind be the best employment program."

Yet such a program as this could not come to pass, simply because German interest rates cannot be unhitched from trends in the United States. And because Mattheofer does not believe that Washington's tax and budget policies are going to lead to lower deficits in the next few years, he is convinced that "American interest rates are going to remain at a brutally high level for a relatively long time." For this reason West Germany must, as far as it can, break itself loose from them.

This can only happen if an upward revaluation of the mark induces investors not to invest their funds in the United States despite its higher interest

returns. The best way to restore confidence in the mark and to improve its rate of exchange, besides a persistent fight against inflation, is a further cutback in energy imports and thus a reduction of the deficit in the balance of payments. Mattheofer does not regard this as visionary: "There is no reason why the dollar's exchange rate should remain at 2.2 to 2.3 marks. At its lowest point two years ago it was traded at 1.72 marks," he writes in his position paper.

The best way to cut back further on oil and natural gas consumption in West Germany--although the Germans, by having cut back their consumption of gasoline by 6 percent in 1981, were already the world's champions--in the eyes of the finance minister, is by additional price increases. He points out that the price of gasoline in West Germany is still the lowest in Europe and that "nothing is better or more effective than price increases" to spur consumers to even greater thrift.

The fact that price increases with the help of higher taxes will not only bring about a further reduction of energy imports but also substantially increased tax revenues (see Table) is something that naturally cheers the heart of any finance minister. Still, Hans Mattheofer does not see these new revenues only as a welcome bit of assistance in straightening his budget. He would like to achieve, instead, two results with the monies skimmed from the oil and gas heat users and from motorists:

--The money is to be applied to finance such investments as will bring about further energy savings. Conservation and more rational utilization of fuels are intended to supplement and reinforce each other.

--These investments will lead to more jobs and a reduction of unemployment. If fewer people are living off unemployment insurance, then more funds will stay in the state treasury. The repeatedly urged shift from consumptive to investive government expenditure will be made easier to achieve--which will have positive consequences for employment.

Measures such as these, Mattheofer maintains, will provide the opportunity "to break out of the vicious circle of unemployment and budget deficits." In long-range terms it will also lessen the danger of industrial countries like West Germany becoming the victims of a new oil price hike as they have been in the past. Our only weapon is a long-range strategy aimed at reduction of our import requirements.

No one can deny that Mattheofer's concept, with its long- and short-term effects upon the labor market, the interest and exchange rate as well as energy consumption, is superior to all the shortwinded employment therapies that have been proposed in the hectic debate of the past few weeks. Nonetheless even his plan has one hitch--the burden of higher energy prices will become even more oppressive for wage earners, especially in view of stagnating or even declining real income. Hans Mattheofer takes some comfort in the fact that we will in any event be faced with the choice of either handing our money over to the oil sheiks, who will turn the price screws at the next

convenient opportunity--or, by effecting domestic measures, deny them this opportunity. In his opinion prices increases through higher taxation have the advantage that "they will let us keep the capital required for a restructuring, rather than see it drawn off to the oil exporting countries with nothing in return for us."

Besides this, Mattheofer asserts, the additional burden upon consumers, though "it will be felt, will not be unbearable. It will not fall solely upon socially vulnerable consumers, but will clearly rise with income (key words are: larger housing units, oil-heated swimming pools, big cars or private aircraft)." The finance minister has calculated to the mark and pfennig what his energy relief tax will mean for different levels of the population. A childless couple on social security, which must rely on oil heat through the winter, will have to pay an additional 10 to 11 marks more per month; a wage earner's household with 4 persons and average income would be burdened with an additional 14 to 21 marks.

When compared with the gains his program seeks to achieve, Mattheofer believes the sacrifice to be a reasonable one--especially if the policy's success were to lead to an upward valued mark and, along with that, lower oil prices for German consumers. Those who would complain of social hardships ought to compare these with the hardships of unemployment and especially unemployment among young people, which his plan is aimed to combat.

Such thoughts as these might well cause the German trade unions to give the minister their blessing. Even before his plan was known to a larger public, they stated during their closed session in Lam, that there was "general agreement" between them and Mattheofer--which could not be said of the various proposals put forward by federal economics minister Lambsdorff.

What makes Mattheofer's view of the problems attractive to leading trade unionists is particularly:

--that he sees the unemployment problems in much the same way that they do;

--that he is pursuing much the same investment plans and, like the Trade Union Federation, would allocate 10 billion marks a year for that purpose;

--that he increased tax revenues are high enough that funds remain even after the investments for energy conservation. "Here we have the chance to fill this 'open proviso' up with our proposals."

Somewhat less enthusiastic about Mattheofer's plans were the oil industry and the German Automobile Club ADAC, that has traditionally concentrated in a rather narrow-minded way upon the interests of German motorists. Word of the plans had scarcely leaked out when the auto lobby sent out "urgent" cables into the world, in which they bemoaned Mattheofer's intention of "punishing once again the motorists' willingness to conserve."

What Mattheofer's Tax Increase Would Produce

<u>Energy Type</u>	<u>Increase</u>	<u>Annual Tax Revenues In Millions of Marks</u>
Natural Gas (1)	DM 7.80/100 m ³	4,510
Light Heating Oil	DM 0.07/liter	2,205
Heavy Heating Oil	DM 0.07/liter	770
Gasoline	DM 0.07/liter	1,820
Diesel Fuel	DM 0.07/liter	980
Total		10,285

(2) Natural gas has not been previously taxed. The tax levy corresponds to that for heating oil.

9878
CSO: 3103/270

RESOLUTION OPPOSING BONN NUCLEAR POLICY PLANNED FOR SPD CONGRESS

Hamburg DER SPIEGEL in German 1 Feb 82 pp 25-26

[Text] To keep disputes between the chancellor and party members within limits, Helmut Schmidt plans to accept a resolution against his own nuclear energy policy at the SPD congress in Munich.

For a while the chancellor's man only hemmed and hawed. Finally, however, Andreas von Buelow conceded to his party comrades in the SPD energy commission, "If you feel that it has to be that way, then put it in writing."

With this imprimatur, the minister of research let pass a motion for the SPD congress in Munich this April, that can bring little cheer to his boss, Helmut Schmidt. What the socialists have written into this paper under the direction of Horst Ehmke follows the lines of party congress resolutions of 1977 and 1979.

Yet in decisive points the motion contradicts the third extension of the Federal Government's program of energy policy which the cabinet passed just the end of last year. The SPD experts adhere stubbornly to an energy policy which does not place all its bets on nuclear reactors alone. While they are not opposed to a "limited use" of nuclear energy, nuclear generated power is only to be fed into the electrical power grid to the degree that power needs cannot be met by coal generated current.

What the drafters of the motion want most of all to do is to let it be confirmed "that the conditions must be created that will allow long-term dependence on nuclear energy to be eliminated."

The Federal Government had finally rejected this line at the very latest with its extension of the energy program. In the view of the party's energy politicians the nuclear industry was to serve only as a stopgap. Schmidt and his minister of research on the other hand favor the construction of additional nuclear plants because industry requires cheap nuclear power. A future without nuclear power has long been unthinkable for the chancellor.

Even last summer Buelow could see only one way to get the party's line and the chancellor's policy coordinated: he wanted to fight to modify the SPD

resolutions at the Munich congress and to trim them to the size of Schmidt's needs. The reason why he now accepted a motion that expressly confirms the old SPD positions is simple: the chancellor cannot afford any further dispute on the issue.

Schmidt and his aides assume that he will have a hard time of it at Munich. He is going to have to fight vigorously to gain majorities in the debate on rearmament and his employment policy.

If the chancellor were to demand unconditional allegiance for his nuclear power plans as well, he could, in the opinion of the chairman of the inquiry commission of the Bundestag for "Nuclear Energy Policy of the Future," Harald Schaefer, stretch his bow too far.

Granted that the majority expected for the proposal at Munich will do the SPD nuclear critics little good: Schmidt and his FDP economics minister, Otto Count Lambsdorff, have in the past shown how casually they can ignore the energy policy resolutions of both their parties.

Moreover they are both counting on the likelihood that pro-nuclear forces are stronger in the Bundestag fractions of both coalition parties than they are among the rank and file membership of the SPD and the FDP.

Nuclear power sceptics, on the other hand, like Bundestag deputy Schaefer, hope that a party congress resolution will not fail to have an effect upon the parliamentary fraction. "We are aiming," says Schaefer, "to postpone the final action on the government's energy program in parliament until after the party congress."

His calculation: once a new party resolution comes into effect, the parliamentary fraction can no longer simply ignore it. It would at the very least have to wring some concessions from the chancellor and press for cutbacks in the pro-nuclear extension of the energy program and especially for a more stringent version of the nuclear waste disposal guidelines.

What the motion proposes is that from 1990 on, that the operators of nuclear power plants must be able to prove that they can dispose of their nuclear waste safely within the country, otherwise they will have to shut down their plants.

The likelihood that such evidence could be produced is not very great, in light of difficulties with the construction of a recycling facility and a terminal storage depot. This puts a heavy condition on the motion's concession that further nuclear power plants can be allowed "as needed."

If Schaefer's hopes were not to be fulfilled and if the SPD fraction--conference or no--should give the chancellor its unconditional loyalty, then all that Helmut Schmidt would have won would be time. The energy dispute between the chancellor and the SPD would break out again in sharper form. The future would be not what the party members in the energy commission so cheerfully prophesy, but rather an "extension of the past"--with skirmishing and brawling among party members.

GOVERNMENT'S POLICY ON PETROLEUM PURCHASES QUESTIONED

Athens Η VRADYNI in Greek 6 Feb 82 p 7

/Article by A. Kyriakis: "While We Could Have Bought Petroleum Cheaper from Syria and Iraq, the Russians are Selling it To Us 'Through the Nose'"//

/ Text/ What is happening with petroleum? Why did we agree to pay the Russians "through the nose?" Why is gasoline becoming more expensive in Greece while it is getting cheaper in neighboring Italy? Why have the country's reserves dropped and we have to wait for the end of the year to meet the 4-month reserve security level? Why? Why? Why?

A series of questions suddenly cropped up yesterday when the average Greek was informed that the Soviet Union sold us 2 million tons of petroleum at 35 dollars a barrel. We will discuss these anxieties in the columns of Η VRADYNI.

Any data we use on this topic, we will borrow from what has been published in the pro-government press.

Of course, we will not forget certain pompous headlines of a pro-government newspaper which informed us (following 'Arafat's visit) that "the Arabs will drown us in petroleum" or "take all the petroleum you want and on credit."

We have no complaints with the Arab countries. Over the past few years, our ties with the Arab World have become even closer, with the policy laid out by today's President K. Karamanlis when he was then prime minister, a policy followed by Mr G. Rallis. A policy of close economic and political friendship which assures priority in the purchase of petroleum.

Therefore, over the past 7 years, at a time when the petroleum crisis threatened Europe (both West and East), Greece was the only country that did not have a petroleum shortage problem. What happened then and we are endangered, now that petroleum is flowing?

We reprint the following from the day before yesterday's issue of ΤΟ VIMA:

"The country's reserves in petroleum had been programmed to be 3,340,000 tons at the end of 1982, i.e. amounts sufficient to cover the market needs for at least

4 months," according to Minister of Industry S. Peponis.

For anyone who knows how to read, however, this sentence means that:

- "Right now" we do not have petroleum reserves for 4 months. If something should ever happen, the country will find itself without reserves.

How did we ever get to this point?

- Perhaps the Government of Change in the 109 days that it has been in power has changed policy in the matter of reserves and is now rushing to correct its mistake?

"Through The Nose"

We are not petroleum merchants to know today's prices of "black gold." What we do know is that we are paying for it in dollars. And as we read in government newspapers, the price (of petroleum) is constantly dropping.

And exactly because we are paying for it in dollars, we realize that the Soviet Union sold us 2 million tons "through the nose." Yesterday, we read in the TO VIMA that:

- Greece will get 2 million tons of crude petroleum from the Soviet Union at a price of about 35 dollars a barrel. An agreement had been signed by Deputy Minister of Trade I. Papaspyrou as representative of the Greek Government and the by the government representative of the other country.

The same newspaper of 30 December wrote the following under the headline "We Will Purchase 2 Millions Tons of Petroleum from Syria and Iraq:"

- Deputy Minister of Trade Papaspyrou (the same one who signed the agreement with the Russians) has signed an agreement with Syria and Iraq for the purchase of 2 million tons of petroleum. An amount of 500,000 tons will be purchased from Syria at 30 dollars, while the other 1,500,000 tons will be purchased from Iraq at a price to be determined by OPEC.

While OPEC dropped its price, producing countries began making other reductions and accomodations. Proof of this is that TO VIMA wrote the following yesterday:

- In the meantime, the price of crude petroleum on the international market, as maintained by industrial circles in the United States and Europe, will register a new drop because the measures taken by OPEC during its last two meetings, one in October in Geneva and the other in December in Abu Dhabi, did not decisively contribute to a drop of excess petroleum.

Consequently, the question of the people is logical:

- Why, when the price of petroleum on the international market is dropping, we hastened to pay the Russians "through the nose?"

It appears, however, that the government does not yet know what policy to follow on the issue of petroleum. Proof of this is that:

- On 30 December, Mr Peponis announced in parliament that the amount of petroleum to be imported will be reduced by 500,000 tons, with a savings of 28 million dollars in foreign currency.
- On 4 February, he announced that "the reduction in the amount of petroleum to be paid in foreign currency amounts to 1,730,000 tons.

These figures perhaps do not have much significance since it is possible that policy is readjusted in accordance with the needs of the country. However, the thing that does have significance for the people is not to pay "through the nose" for a product when prices on the international market are dropping. The government does not ignore the fact that prices are dropping, as revealed in the statement by the minister of industry the day before yesterday.

As TO VIMA wrote, he said the following on this issue:

- The prices of certain categories of crude petroleum are lower on the international market, regardless of the fact that this drop is not being felt on the domestic market where the price is calculated in drachmas and is suffering the consequences of the rise in the price of the dollar.

The same newspaper wrote the following yesterday:

- Finally, the drop in the price of crude on the international market "brought about" the drop in the price of gasoline available in Italy, which procures the petroleum it needs from the international free market (spot market.)

And here lies the big question:

- Why do the Italians (who also pay for petroleum in dollars) succeed in dropping gasoline prices, while we have to pay more? Perhaps the lira does not suffer the consequences of the dollar's price rise?

I beg forgiveness for television viewers if these doubts were to provide an opportunity for some genius of the "Change" to analyze for us his world theories on television tonight, Saturday.

5671

CSO: 4621/194

ELECTRIC POWER AGREEMENT SIGNED WITH ALBANIA

Athens ELEVTHEROTYPIA in Greek 9 Feb 82 p 15

/Text/ A new electric power transmission line between Greece and Albania will become operational in 1984. The agreement was signed yesterday in the DEI /Public Power Corporation/ office between its director, Mr D. Papamandellos, and Mr Alikai, director general of the Albanian organization Mineralexport.

This transmission line will link the electric power nets of the two countries through the Elvasan-Kardia Ptalemaida high tension substations, and Greece will purchase Albanian electric power through this line.

With this new electric power link-up the parallel operation of the net of both countries will become possible, and the possibility exists for an increase in both purchases and sales of electric power between Greece and Albania. Also possible is the drawing up of programs for annual exchanges of electric power so as to improve the operation of the electric power systems and also to provide assistance in cases of emergency, as, for example, breakdowns in the nets, etc.

Also signed was an agreement for the purchase of electric power from Albania this year, amounting to about 140-200 million kilowatt hours, in accordance with Albanian capabilities.

In a telephone conversation with us, Mr T. Amallos, DEI deputy director, told us:

- The Albanians are very favorably disposed toward Greece as far as providing electric power to our country. Moreover, it may be said that Albania may be the only country in Europe that has excess electric power.
- In 1981, Albania provided us with about 120 million kilowatt hours as compared to the 140-200 million that the new 1982 agreement provides for. In fact, the electric power is being provided to us at very good prices (1.80 drachmas a kilowatt hour at night and 3 drachmas during daytime.)
- If there were a possibility to get Albanian power through Yugoslavia, then Albania would provide us with up to 700 million kilowatt hours.
- The cost of the new transmission line amounts to about 1.900 million drachmas. The Albanians, on their side, will construct plants amounting to 1.200 million drachmas, while Greece will spend 700 million drachmas for its plants.

DROP IN CRUDE PETROLEUM PROCUREMENT ANNOUNCED

Athens I KATHIMERINI in Greek 11 Feb 82 p 9

/Text/ In accordance with data given out yesterday by Minister of Industry and Energy A. Peponis, a drop is expected in overall liquid fuel procurements to cover the country's needs this year. Therefore, 9.1 million metric tons of liquid fuels (including the 250,000 tons of reserves) will be channeled to the domestic market in 1982. The total value of these procurements is 2.364 billion dollars as compared to 10.878 million tons valued at 2.939 billion dollars in 1981.

The overall amount will be covered by bilateral agreements amounting + 5.5 million tons valued at 1,458,900,000 dollars, with the import of 1.75 million tons valued at 445.5 million dollars from the Esso refinery, and with 1.1 million tons of Greek petroleum valued at 255.1 million dollars from the Prinos refinery. The petroleum to be procured through Esso will come from Saudi Arabia, Egypt and Libya.

We will procure the following through bilateral agreements: From Saudi Arabia, 500,000 tons of Arabian light and 500,000 tons of Arabian medium, valued at a total of 121.8 million dollars. From Iraq, 1.5 million tons of Kirkuk, valued at 349.9 million dollars. From Libya, 150,000 tons of al-Sidr, valued at 41.4 million dollars. From the USSR, a total of 1.1 million tons of Russian, valued at 285 million dollars, and 900,000 tons of Libyan al-Sidr (Soviet ownership), valued at 249.3 million dollars.

From Syria, 300,000 tons of Suwayda, valued at 62.. million dollars. From Algeria, 600,000 tons of Zarzaitine, valued at 173,5 million dollars.

5671
CSO: 4621/194

CONSTRUCTION OF TWO LIGNITE-FUELED POWER PLANTS

Athens I KATHIMERINI in Greek 6 Feb 82 p 7

/Text/ The ministerial council has announced the signing of an agreement providing for the construction in the Amyndaio area of two lignite-fueled thermoelectric power plants by a Franco-Soviet consortium and a Greek company.

Minister of Industry and Energy An. Peponis announced that the project will cost about 15 billion drachmas and that the two power plants will have a power capacity of 300 megawatts each.

Production of the first plant is expected to begin on 1 January 1986 and that of the second plant on 1 June 1986.

The agreement provides for the plants' power production to be eventually fully operational using only lignite as a fuel. Before this final production phase is reached and for a period of 30 months, the plants will operate on a mixture of lignite and petroleum under the supervision of the construction companies. The consortium is made up of the Alstom, Stein, Energomaexport and Viokat companies which have received 85 percent of their loans from French banks and 15 percent from Greek banks at 8 percent interest a year.

5671
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DEVALUATION TO AFFECT AGRICULTURE, GOVERNMENT SUPPORT

Jørgensen Denied Greater Devaluation

Copenhagen BERLINGSKE TIDENDE in Danish 22 Feb 82 p 1

[Article by Dan Axel and Lisbeth Knudsen]

[Text] The countries of the European Monetary Agreement yesterday flatly rejected the proposal by the Danish government to carry through a record-high devaluation of the Danish krone by 7 percent as a shortcut to improve Danish competitiveness.

During the negotiations in Brussels, it was pointed out directly that Denmark, in connection with previous devaluations, had failed to carry through drastic subsequent legislation which would ensure that the devaluation would have any effect at all. Denmark was granted a devaluation by 3 percent only, and the Danish government does not intend to combine the devaluation with any subsequent legislation.

In connection with its desire for a devaluation by 7 percent, the Danish government had planned ensuing legislation which would involve the cancellation of one of the two cost of living increments of 90 øre per hour which will be falling due in the private labor market on 1 March 1982 and in the public labor market as of 1 April 1982. In addition, the government had planned to carry through a price freeze and a profits freeze, tightening of the Monopolies and Restrictive Practices Act and a separate tax on high incomes. In particular the latter measure induced the executive committee of the Danish Trades Union Congress yesterday to approve the intervention in respect of the cost of living adjustment.

The attempt on the part of the Danish government to carry through a record-high devaluation toward the European monetary cooperation partners failed, and its move involving subsequent legislation has created new serious conflicts among the government cooperation partners, the Socialist People's Party and the Radical Liberal Party just 2 days prior to the final debate in the Folketing on the government's budget proposal. The government had not wanted to ensure, in advance, a majority for its ensuing bills, and their introduction would have put a final stop to the cooperation with the Socialist People's Party. On the other hand, the Radical Liberal Party is now extremely dissatisfied that the government

does not stick to the ensuing legislation and demands new intervention to secure the competitiveness of Denmark in other ways.

The devaluation of the Danish krone leaves another problem. That is the so-called "Green Krone," which is important in settling agricultural accounts. The "Green Krone" was not included in the devaluation yesterday, but the prime minister hopes that it will be possible to include it within the next few months. Belgium was yesterday given permission to devalue its franc by 8.5 percent after having proposed a devaluation by 12 percent. The Belgian government announced already yesterday that the devaluation would amount to 8 percent, at the same time as a price freeze and a wage freeze would be carried through. Ministers and under-secretaries in Belgium will be taking the lead by way of a 10 percent decrease in their salaries.

EC's "Green Krone" at Issue

Copenhagen BERLINGSKE TIDENDE in Danish 22 Feb 82 p 5

[Article by Frank Dahlgaard]

[Text] The big EC countries are not at all objective in opposing the Danish request for a devaluation of the Danish krone by 7 percent in the wake of the major Belgian devaluation. They, obviously, have underlying political motives in rejecting a sizeable devaluation of the Danish krone. It is not a question of any factual arguments from an economic point of view.

This statement was made by the Danish professor of economics Gunnar Thorlund Jepsen, Århus University, who points out to BERLINGSKE TIDENDE that there is nothing to prevent the Danish government from devaluing the krone if it really wants to do so.

The problem is, however, that the EC may prevent us from having the so-called "Green Krone" devalued, and the "Green Krone" is of vital importance to Danish agriculture. The EC thus has an effective hold on us.

"I do not understand how the West Germans can say that Denmark does not need a devaluation to improve our competitiveness. For the fact is that our unemployment rate, our foreign exchange deficit and our foreign debt are relatively larger than those of most other countries. They can only have underlying political motives in rejecting the Danish request for a devaluation. Apparently, the Germans and the French begrudge us higher agricultural export earnings."

Professor Thorlund Jepsen goes on to say that the EC apparently does not want its member countries to purchase agricultural products from where they are produced at the lowest costs and most efficiently, viz. Denmark. They prefer to protect the obsolete mountain agriculture of Central Europe.

"A Danish and Belgian devaluation by 7 and 12 to 13 percent, respectively, as requested would have no real influence on the economies of the large EC countries. It is a mystery to me how they can oppose the requests from the small countries if they desire to retain the monetary cooperation in the long run."

Will Affect Budget Negotiations

Copenhagen BERLINGSKE TIDENDE in Danish 22 Feb 82 p 5

[Article by Dan Axel and Lisbeth Knudsen]

[Text] The government's unsuccessful attempt to carry through a major devaluation of the Danish krone may have a decisive effect on the budget negotiations and the voting on the budget which will start today.

The political temperature dropped 1 degree closer to the freezing point because the government--without informing, in advance, its hitherto cooperation partners, the Radical Liberal Party and the Socialist People's Party--entertained ideas of major measures of intervention in respect of the cost of living increments which have just been released.

After a meeting of party leaders late Sunday night, the chief of the Radical Liberal Party, Niels Helveg Petersen, stated that he was very disappointed that the government does not immediately devalue the "Green Krone" so that the agricultural sector will get its share of the devaluation gain.

"Nor shall we, this time, have the improvement in our competitiveness which the government had aimed at," Helveg Petersen said, who was disappointed at the somewhat clumsy procedure on the part of the government in the entire matter.

The chief of the Liberal Party, Henning Christophersen, said that the government, with its devaluation move, had demonstrated that something has to be done to improve our competitive power. "And we now have to see how it will go about it," Henning Christophersen said.

The chief of the Socialist People's Party, Gert Petersen, was deeply shocked at the way in which the government had treated the Socialist People's Party. Following the meeting of party leaders last night, he said: "Of course, we can accept a Danish devaluation by 3-4 percent, but, then, it will have to be without the ensuing legislation planned by the government. The way it looks now, the devaluation will simply be a smart, little trick to benefit our export."

In the TV Sunday Magazine, Gert Petersen had a strong exchange of words with Minister of Finance Knud Heinesen. Gert Petersen said that in attempting a major devaluation combined with subsequent legislation, the Social Democratic Party had forfeited its action program.

The action program clearly stipulates that there will be no decline in the real incomes of people with ordinary incomes. In reply, Knud Heinesen adduced another quotation from the program of the Social Democratic Party to the effect that everything would be done to further Danish competitiveness.

At the meeting of party leaders, Gert Petersen repeated his skepticism with regard to the government. But he did not want to draw any immediate conclusions from the disagreement. Apparently, the Socialist People's Party still intends to

vote for the budget, although it feels that the government has let it down.

After the meeting last night, Prime Minister Anker Jørgensen said that he probably was a little disappointed that the other countries belonging to the monetary cooperation did not want to help Denmark devalue its krone by 7-8 percent.

"The government now wants to carry on its policy to further the trades and industries, as laid down in the action program," Anker Jørgensen said. "But we had hoped that a major devaluation would have made various other topical remedial measures unnecessary--for example agricultural subsidies."

The prime minister did not conceal that he had hoped that several countries would have done to same thing as Denmark when it was announced that Belgium wanted to devalue its franc by 10 percent. But, as it turned out, Denmark was left standing very much alone in Brussels.

"Of course, it is, in a way, a positive sign that the other countries belonging to the European Monetary Agreement do not allow us any major devaluation," Anker Jørgensen said. "That shows that they feel that the Danish krone is strong enough."

Prime Minister Anker Jørgensen said last night that he did not feel that a devaluation by 3 percent will mean any increased pressure on the Danish krone from abroad.

Paper Blames Jørgensen Policies

Copenhagen BERLINGSKE TIDENDE in Danish 22 Feb 82 p 8

[Editorial: "Devaluation Weekend"]

[Text] The devaluation of the Danish krone cannot, of course, be due to any desires on the part of the Brussels government for adjustment of the rate of the Belgian franc. The cause of the exchange rate policy of the Danish government is solely to be sought in the domestic economic development. Most recently, the wage regulation index for January released two cost of living increments. Combined with the tendencies toward increased wage drifts and the prospect of the further release of two cost of living increments in connection with the wage regulation index for July, this development shows that the basis for the government's economic policy action program which was to remain in force for several years, has been upset. In short, the government has not succeeded in getting the development in respect of the Danish wage level under control. The precarious monetary situation, moreover, is a sign that an upward adjustment of the Danish interest level may soon become necessary. All of the government's plans for a lower interest level for private industry have thus been frustrated.

A devaluation of the krone under conditions in which it may, in no way, be said that the domestic cost level developments are under control, must be regarded as a rash policy. The risks involved may, in no reliable way, be mitigated by subjecting the trades and industries to new temporary price restrictions. In order for a devaluation policy to make any sense at all, it will have to be based on a stoppage of the present wage developments. In practice, this can probably only

tak... place through a cancellation of cost of living increments. That form of incomes policy has long been clearly desirable, but it will become absolutely essential considering Minister of Economic Affairs Ivar Nørgaard's krone rate policy.

In that connection, it is the problem of the government and the Social Democratic Party that they so clearly want to base their economic policy on a majority in the Folketing, comprising the Socialist People's Party in addition to the Radical Liberal Party. The Socialist People's Party has never shown any reasonable understanding of the economic problems of the trades and industries, and the party flatly refuses to support the economic legislation which is needed in the wake of a devaluation of the Danish krone. As is well-known, it was a similar situation which in November-December of 1967 caused the cooperation which had been established between the Social Democratic Party and the Socialist People's Party to collapse through the disruption of the Socialist People's Party and the subsequent formation of the Socialist Left Party. The present leadership of the Socialist People's Party would be unable to cope with such a situation, should it arise. For that reason, Ivar Nørgaard's krone rate policy is actually without any parliamentary safety net, and, as a consequence, it is to be feared that it may develop into a new threat to the trades and industries which have to compete abroad. Devaluation and a subsequent increase in the domestic cost level which obviates the improved competitive power are policies which, if anything, must be regarded as poison to the economy.

7262
CSO: 3106/71

VON AMERONGEN ON GROWTH, EMPLOYMENT MEASURES, SANCTIONS

Duesseldorf HANDELSBLATT in German 19-20 Feb 82 p 5

Report by Rainer Nahrendorf: "Higher Value-Added Tax Is Lesser Evil"

Text If the budget can only be financed by raising taxes, then raising the value-added tax—with an income tax cut in 1984 to follow—would be the lesser evil. But, as Otto Wolff von Amerongen, president of the Federation of Chambers of German Industry and Commerce (DIHT), told this newspaper in an interview, the DIHT has called for no such program and, for that matter, views the stimulating effect of investment credits with a great deal of skepticism—as reflected in a poll conducted among 14,000 business firms.

As long as the extent of the investment credits are in doubt, orders are simply being held in abeyance. This will become plain when a check is made of the orders received by the investment goods industry. The foreshortened support period and the attempt to prevent piggy-back effects by instituting a 3-year referencing period discriminates against those firms which have been investing all along and works to the advantage of those who have held off. Wolff himself would have preferred higher write-offs and a concurrent extension of loss carry-overs to credits. This would also have been better for the government as funds devoted to credits are spent once and for all whereas increased write-offs merely constituted a transfer of taxes.

If a rise in the value-added tax is to be followed by an income tax cut, then this must be an across-the-board cut. According to Wolff, the thrust of the program to promote private investment is to be welcomed.

A medium-term strategy to stimulate growth and employment would in the first instance have to include shorter write-off periods and a renewed rise in the degressive write-off rates. For another thing, the burdens placed on business above all by the rapid rise in wage side costs must be relieved.

On the spending side, he said, the subsidy jungle would have to be thinned out. The DIHT had long since made its proposal of a 10 percent across-the-board cut in subsidies to show how it could be done. He would not call the proposal a stroke of genius; but at least it was a start. The Swiss example of cutting subsidies in this manner would appear to show that the DIHT's proposal is not "rubbish" but a rather plausible way out.

As government budgets change over from consumption to investment spending, the crucial question is what government investments are made. Investments that go toward improving the transportation infrastructure in Bavaria are of a different character from those earmarked for the construction of walls to protect against noise. Wolff made a point of warning against such government investments which entail subsidiary costs that could no longer be met.

In order to effect a return to medium-term growth, Wolff said, the Concerted Action format might be revived. Although the chancellor's roundtable has its merits, it cannot really take the place of a face-to-face meeting of representatives of government, the Bundesbank, economic experts, trade unionists and members of business groups which affords an opportunity for open discussion of the consequences of possible errors of judgment on the part of those responsible for the economy. But Wolff did admit that the membership of the group might well be reduced.

For 1982, Wolff anticipates a real economic growth rate of one percent. He said he was optimistic with regard to reducing the deficit in the balance of goods and services, sharing the government view that it may be possible to bring it down to DM 10 billion or even to get rid of it altogether. In 3 or 4 months' time, he thought, DM weakness might once more result in increased exports. The strain on the balance of goods and services—mainly due to oil imports—would lessen because both imports and prices are down. But, said Wolff, the export industry would be overburdened, if asked to act as the sole motor to get the economy moving again.

The risks for the export industry are not based as much on economic policy as on foreign policy considerations. Wolff believes that the risks with regard to Poland are far less serious than those with regard to the Near and Middle East. If the OPEC countries, which have contributed greatly to increased German exports, were to cut back, that would be a bad blow to the German economy.

Speaking of the sanctions against Poland and the USSR, which are a matter of controversy within the Western alliance, Wolff said that the FRG would not really have to face up to the question of burden-sharing until American sanctions began to be extended so as to touch on America's own foreign trade interests like shipments of wheat and other foodstuffs. As long as this did not happen, he said, he was against getting into any discussion of material sanctions against Poland and the USSR, since sanctions would have tangible consequences for the FRG in contradistinction to the U.S. which had not incurred any appreciable material loss as a result of the sanctions thus far invoked. Wolff also expressed doubt about the political sense of imposing sanctions against Poland, since this would make it even easier for the military rulers to blame their economic problems in large measure on the sanctions and to perpetuate their regime.

In Wolff's view, it is not correct to speak of a scarcity of apprenticeships as yet. But he did say he was worried about the declining number of apprenticeships while the number of applicants was on the rise. In order to be able to offer an apprenticeship to all 660,000 young people likely to apply for one this year, the 1980 availability figure would have to equal. The trade associations responsible for vocational training that are represented on the German Board of Trade have therefore called on business once again to extend training programs above and beyond their own needs in spite of the difficult economic situation. The economy, Wolff said, is as interested in training as it ever was but it is running into problems both of the baby boom generation coming of age and the present weak economy.

Criticism of Business Not Justified

It is somewhat strange to be blaming business alone for the tight apprenticeship situation, since the decline in openings is due to a large extent to faulty overall economic planning. Those responsible for this situation, Wolff said, have no justification for blaming business for it. The threat of new financing regulations, at any rate, would not serve to stimulate training. For that matter, business gave proof of the fact in recent years that it did not need tax breaks to meet the challenge of training the high birth rate age groups.

This not only applies to the crafts but also to industry and commerce which, as the chancellor himself recently noted, have made substantial efforts in recent years.

Wolff appealed to young people to accept the training possibilities offered to them even if none were available in their particular preferred field. Their choice of occupation, he said, was too one-sidedly directed to those that are in vogue just now. In the metal industry, for example, supply exceeds demand by two to one. In the building industry and in hotels and restaurants, there is a similar situation. But in the white-collar field, demand is much greater than present supply.

9478
CSO: 3103/309

ECONOMIC AID AFFECTED BY BUDGET CUTS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 4 Feb 82 p 10

[Article by Klaus Broichhausen: "Has Offergeld Overreached Himself?"]

[Text] The coalition is now becoming quite subdued in economic aid policy. Since the promises to increase economic aid substantially can no longer be kept, the policy spokesmen for economic aid from the SPD and the FDP, Uwe Holtz and Manfred Vohrer take comfort in these words: "We must not look only at the rates of increase in economic assistance." The budget of the Minister for Economic Cooperation will increase only 3.3 percent this year. For the first time in many years it is less than the average rate of growth of the total budget, which this time is 4 percent.

Useful economic aid is certainly not just expressed in percentages. Money is not everything in economic aid policy. Developing nations need to be given strong initiatives, so that they can develop themselves. They could be given crucial help by the industrial nations opening their borders more to semi-finished and finished products manufactured in the Third World. It is particularly important to make as much as possible out of each DM for economic aid, when there is likely to be a long-lasting financial ebb in Bonn's finances. Financial hard times are forcing a pause in the manners of expenditure and in the choice of projects. The Ministry for Economic Assistance and many of its executive institutions will have to work more effectively. The corrective measures taken so far in the organization of German economic assistance are not enough.

As far as the financing of economic aid is concerned, the Minister for Economic Cooperation, Rainer Offergeld, sees no bottlenecks ahead. With the calmness that is unique to him, which often creates the impression that the Minister is not excessively interested in economic aid, Offergeld said in the budget debate in the Bundestag: "Our cooperation in economic aid policy will continue to be expanded." The FRG could still point to the fact that it was clearly increasing its assistance, while other donor countries were reducing their aid budget. But Offergeld also had to admit that there are limits: "Even we economic aid politicians are tied to the overall financial conditions."

The government made ambitious promises of economic assistance at a time when it was already becoming apparent that national finances would not be balanced.

In June 1980, when the "outlines" for future economic aid policy were passed, the cabinet created the impression that the FRG could meet the goal established at the United Nations that every industrial nation should spend 0.7 percent of its Gross National Product for public economic aid in the near future. This figure, established rather arbitrarily in marathon international sessions as a standard for public economic assistance, was not merely acknowledged by the government. In spite of rapidly mounting debts, which occupied the focal point of the 1980 election campaign, the cabinet thought it could also promise: The government will make every effort "to increase quickly and substantially" the share of social services in the Gross National Product during the 1980's "with respect to achieving this goal." Although serious doubts were raised in the cabinet, the government stuck to its determination of principles from 1979, which planned to set the growth of the economic aid budget twice as high as the average increase in the national budget until 1983. The government, however, soon had to depart from this line--during the deliberations about the budget for 1981. Faced with pressing financial exigency, it came up with the compromise formula that the aid budget should develop at above the average rate, compared with the increase in the total budget. The cabinet used this as a point of orientation in the budget proposals for 1982, raising economic aid by 4.5 percent. However, the budget committee pushed the growth rate down to 3.3 percent.

The disappointment about these cuts is all the greater in the developing nations and among those involved in economic aid policy because the FRG had aroused high expectations with its announcements. The fear that the increasing need in the Third World cannot be alleviated will be even stronger now. But there is no avoiding the fact that in times when there is not enough money in Bonn the latitude for German economic assistance is reduced. Economic aid policy could soon be in even more trouble.

Already the opposition is voicing the fear that Offergeld is overreaching himself financially. This refers to the promises for almost DM 27 billion that have been made to developing countries for the next few years. Technically this happens in the budget through the so-called obligation authorizations. This general obligation has to be met each year by "cash appropriations" from the particular budget. Gradually, cash funds are called in from the economic aid budget for projects whose financing is promised to the developing countries, secured by obligation authorization. The spokesman on economic aid policy for the CDU fraction, Volkmar Koehler (Wolfsburg), and the CDU budget expert, Horst Schroeder (Lueneburg) again in the budget debate expressed their concern that international payment obligations--compared with this year's economic aid budget of about DM 6 billion--are dangerously high. They said the risk was that the obligation authorizations had been constantly increased more than the cash appropriations. There was a danger that one day it might not be possible to fulfill the promises made contractually to the developing nations due to a lack of cash funds. Prof Wilfried Pinger has warned the economic aid minister against increasingly above-average obligation authorizations to issue drafts that would not be redeemable at a later date.

Offergeld, on the other hand, believes he can justify the customary financial rhythm. He said that it was known from long years of experience that the promised funds would not be called in abruptly, but would be distributed over several years with the progress of an aid project. The outflow of funds remained calculable. Until now the total had always worked out. A residuum of promised, but not fully paid out funds, called the pipeline in the Ministry of Economic Assistance, was necessary to be able to make any plans at all for the long-term in economic aid. Offergeld defends the method: "Without the pipeline no sensible project policy is possible."

Nevertheless there is a not inconsiderable risk in the promised payments, which have grown to almost five times the amount of the economic aid budget for this year, and which are received through obligation authorizations. SPD budget politician Helmut Esters has admitted in the Bundestag that at least DM 9 billion of the approximately DM 28 billion in payment obligations of the Ministry for Economic Cooperation were linked to imponderables. These are amounts which are due to international development banks as the German share. The outflow of these billions is irregular. It can only be controlled "in a limited way," as Esters testified, not without some concern.

Even if the "complete financing" of the development projects continues without problems, as Esters assumes, and Offergeld does not declare bankruptcy, the high international payment obligations will become increasingly burdensome. If so many billions are spent in advance, there are hardly any possibilities of making new marks in economic aid policy and pursuing new paths. The degree of maneuverability for purposeful economic aid, which is limited in the first place by foreign policy considerations and goals, is restricted to an extreme degree by long-term financial commitments. At long last the saying seems to be coming true in Bonn: The Ministry for Economic Cooperation is not really a ministry for development but only a ministry for settlement.

9581
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FINANCIAL, ENVIRONMENTAL PROBLEMS HALT MAIN-DANUBE CANAL

Bonn RHEINTSCHER MERKUR/CHRIST UND WELT in German 5 Feb 82 p 5

[Article by Rolf Linkenheil: "The Nightingale Trills in the Valley. Will the Billion Mark 'Project of the Century' Remain a Ruin?"]

[Text] The future of the canal is in doubt. In Bonn and in Munich only one thing is clear: the cash-box is empty and will stay that way.

Bathing beaches or laundries for Bonn's manure? This was the somewhat disreputable alternative that occurred to an agitated Franz Josef Strauss when the federal cabinet in Bonn commissioned its minister of transportation, Volker Hauff, to negotiate with the Bavarian state government in Munich concerning a "conditional termination" of construction work on the Rhine-Main-Danube canal.

What then is to become of the thousand-year old dream of linking the North and the Balkan Seas, to the grand design that proved too much even for Charlemagne? Poor planning, too much rain and too deep swamps and finally, wars, contributed to the fact that the 5,000 to 6,000 men whom the monarch set to work on a ditch between the Altmuehl and Rezat rivers, never finished the task that began in the year 793 A.D.

Bavaria's king and construction enthusiast, Ludwig I, did manage to complete a navigable waterway between the Main and the Danube some 140 years ago, yet the barges that were specially built for the Ludwig Canal--narrow vessels because of their deep draft--were not able to navigate the still undredged course of the Main. The Rhine and also the Danube barges in turn were too broad-beamed for the 100 locks along the 178 kilometer long course. And so it came to pass that the lock-keepers were only disturbed from their idyllic existence once every few days by a barge towed by a snorting and sweating horse from the shore.

The vagaries of the weather, inadequate planning or even a successful railroad are none of them responsible for the fact that the purpose of the new canal, this "engineering feat of the century," is today the subject of growing criticism. The assessment of its economic advantages and the problems resulting from drastic changes in the landscape that will result, are all

viewed in Bonn's eyes more negatively than high Bavarian hopes would like to have it. As far as the Federal Railway's prospects for the end of the twentieth century are concerned, the shoe is now on the other foot. It won't be railroad tracks that will cut off the canal's water, instead the competition of a new waterway will oblige the Federal Railway to offer lower freight rates in eastern Bavaria, which Bavaria's Economics Minister Jaumann would of course welcome. Yet the Federal Government, which bears two-thirds of the costs of the canal's construction, is paying billions which in the end will result in the Federal Railway's enormous deficit growing even larger.

The canal's main competition today is not the railroad but the freeway. And Bavaria has been wrestling with Bonn year after year for more funds for the construction of these high-speed routes. The fight for distribution of funds always seems to end with strong public protests from Munich over the purported disadvantage suffered by Bavaria at the hands of the Federal Government. This time anti-canal forces in Bonn headed by Volker Hauff have allowed a few hints to leak out by way of the indirect diplomacy of the media, that factories in more remote parts of Bavaria would be better served by their regions' being made accessible through the rapid construction of a number of freeway sections than they would be by a long canal route. They hope in this way to undermine the morale of the Bavarian canal champions.

Fifty kilometers of the altogether 171-kilometer-long stretch between Bamberg and Kelheim remain to be completed before the canal is opened to navigation. Thirty-four kilometers run through one of the most charming river landscapes in Germany, the valley of the Altmuehl. It is this section that is the main bone of contention between friends and foes of the canal, which, in a time full of green yearning and empty treasuries makes the whole enterprise questionable.

His rude remark, that he viewed the costly canal construction as "probably the dumbest project since the tower of Babel" almost cost Hauff to be declared persona non grata in Bavaria. In the Bavarian Free State there stands shoulder to shoulder with the Strauss government a solid front which has stood all previously known political relationships on their head. The SPD has united with the ruling CSU in a grand canal coalition; the Trade Union Congress stands in one rank with the canal lobby from commerce and industry. The common, all-unifying reason: maintenance of jobs and the hope of new ones.

This front even breaks down national barriers. Far into Austria, into the region of the red-white-red steel industry, the phalanx of champions of unhindered navigation to the East and the West extends. Helmut Schmidt, as a friend of the canal part of a small minority in his own cabinet, promised not Franz Josef Strauss but comrade Bruno Kreisky, that the shipping route would be completed. The economy of this neighboring country is counting on a savings of 140 million marks--not schillings--per year from the new transport route.

Only the Bavarian FDP remains opposed to the canal, not only because its parliamentary chairman in the Landtag is a former Federal Railway director,

but also because it sees the whole undertaking as a waste of billions of marks and pure economic insanity. In turn they might be able to count on a few votes from the Greens in the 1982 Landtag elections, of all people those who believe that economic thinking is the greatest enemy of the threatened nesting birds.

As a matter of fact it is hard to believe that a canal makes sense, which according to the most recent estimate will only return 52 pfennigs for each mark invested in its construction, once it is completed around the year 2000. Some 3 million tons of freight will be carried each year through the 16 locks between the Main and the Danube. This will mean that only about 16 vessels per day will traverse the canal. Even German inland shippers are opposed to the canal's construction, fearing price-cutting competition of countries in the Soviet Bloc.

Some 3 billion marks have already been expended by the canal's builders. The rest of it is expected to cost about 1.7 billion marks, apart from the widening of the already navigable Danube between Kelheim and Straubing. Cost estimates vary according to one's point of view and distance from the project of the century. Looked at from Bonn, everything is a little more expensive, and the nature conservationists prefer, because one never knows for certain, to figure on twice that amount. Bavaria's Minister of Finance Streibl, on the other hand, maintains that it is not unlikely that "the costs of shutting down work and mothballing could run as high as the investment need to complete it."

What would be the outcome if Volker Hauff were to talk to the state government in Munich about a "conditional termination?" At least they will let him come. "We are a liberal, tolerant, hospitable country. We would never think of throwing him out," said the head of government in Munich whose anger had in the meantime cooled. The "blank page" as Strauss characterized Hauff's mandate for negotiation, can be filled out with something, whether it be water or "manure." As a result both champions and foes of the canal have been successful, in the past few days, with the fervor of shifting positions, to see "the chances for its continuation assured" (as did SPD chairman Rothmund) as well as talking about a different way of speaking of the intended halt to construction (like the government in Munich).

Besides Schmidt's promise to Kreisky in Vienna, there also exists a treaty concluded between the Reich and Bavaria in 1921 and renewed by Bonn and Munich in 1966. It pledges both partners to "cooperation in trust"; neither one can abrogate it unilaterally. But perhaps things could continue with the canal because, as the Bavarian SPD puts it, one just can't stop with it now; and the dispute is concentrated on a new division of the costs, of which Bavaria would now have to bear more than one-third. Federal Minister for Housing Dieter Haack, himself a Bavarian and a supporter of the canal, has indicated that "those who will gain the most from so controversial a project, should also bear an appropriate share of its costs." Still, the nightingale, whose song resounds here, does not belong to the 46 species of rare nesting birds, who can look forward to a threatened existence in the valley of the Altmuehl.

9878
CSO: 3103/265

IFO STUDY ON LACK OF COOPERATION IN CONSTRUCTION INDUSTRY

Duesseldorf HANDELSBLATT in German 18 Feb 82 p7

[Article by "um": "Small, Medium-Sized Construction Firms Do Not Cooperate"]

[Text] Small and medium-sized construction firms are far less likely to participate in joint undertakings than large construction firms. On behalf of the ministry for regional planning, construction and city planning, the Ifo Institute did a research study on the reasons behind it.

In-depth conversations with more than 30 small and medium-sized firms with experience in joint undertakings showed that there exists a very clear understanding of the advantages to be gained from such ventures—which offer these small and medium-sized firms the opportunity to take on larger and more difficult orders and to make better use both of their personnel and their equipment. These cooperative ventures also strengthen their position vis-a-vis competing larger firms as well as vis-a-vis major customers such as the government.

But the interviews also showed that many small construction firms were not too happy with the results of their first cooperative efforts and then just decided to drop the whole idea. In some cases, such negative experiences were passed on from one generation to the next. Another thing is that these firms frequently vastly overestimate their share of the costs involved. Often, it is also a question of their being afraid of being cheated by their prospective partner who may have had more experience with ventures of this kind.

In actual fact, however, these joint ventures have tended to work out satisfactorily in most instances. Profit margins ran just about as high as on jobs the firms did on their own. Losses were rare, actually occurring only during times of recession. At times, higher administrative expenditures incurred by joint undertakings did tend to drive costs up; but on the other hand extensive exchange of know-how made it possible to come up with cost-effective solutions to particular problems which in the end managed to bring down overall costs in some cases.

In all, the Ifo study came to the inclusion that even the firms themselves tend to feel that the advantages of cooperative ventures outweigh the disadvantages. And even if they do prefer going it alone, it is primarily a reflection of their desire to remain independent.

On the other hand, the readiness to join in such ventures on the part of small firms is occasioned by the economic situation as such. While most of them had no need to do so in the sixties, since they were in a position to offer and complete projects on their own, the competition of the large firms became so intense by the early seventies that the small and medium-sized firms simply could not make a go of it except by engaging in cooperative undertakings. When the export boom started, their freedom of action was restored to some extent, since the large firms withdrew from the domestic market in many instances.

But during the last few years the situation has changed once again with the large construction companies applying a great deal of pressure on the home market. By becoming a part of a cooperative undertaking, small and medium-sized firms can hold their own in the face of this competition. In this way, the Ifo researchers believe, an indirect contribution to supporting the middle class and to assuring a more effective competitive system is being made.

9470
CSC: 3103/309

ECONOMIC

GREECE

SOVIET UNION WANTS MORE VESSELS REPAIRED IN GREEK SHIPYARDS

Athens RIZOSPASTIS in Greek 11 Feb 82 p 1

/Text/ Moscow, 10 Feb (from our correspondent Giannis Litsos)--Oleg Kroptov, director general of Sudobort, announced in Moscow today (yesterday) that the Soviet Union is ready to expand its cooperation with our country by permitting the repair of Soviet vessels in Greek shipyards and by supplying Soviet vessels to Greece.

In answer to a specific question, he said that the number of ships being repaired in Greek shipyards is constantly growing. He added that we had concluded agreements amounting to many millions of dollars and we are ready to work together in the future with Neoria and other firms, so long as the Greek side shows interest.

During the press conference, it was stressed that Sudobort is cooperating with 800 firms in 80 countries throughout the world. Two thirds of its trade is with socialist countries. It also has close relations with firms in Finland, France, the FRG, Japan, Austria, Sweden, Norway and other countries.

In 1981, Sudobort purchased 168 vessels from socialist countries and 28 from capitalist countries.

5671

CSO: 4621/194

ECONOMIC AGREEMENT SIGNED WITH ROMANIA

Athens Domestic Service in Greek 1930 GMT 26 Feb 82

[Text] A Greek-Romanian economic cooperation protocol was signed at noon between Coordination Minister Lazaris and Romanian Minister of Machine-Tool Industry, Electrical Engineering and Electronics Petrescu. At the talks it was ascertained that there is progress in developing the two countries' relations and, at the same time, there are great possibilities for the further development of the economic cooperation in all sectors, particularly in industry, drilling, navigation, tourism and transportation.

Both sides expressed interest in the establishing of mixed enterprises, particularly in the hydrocarbon and chemical industry sectors. More detailed negotiations will be held on this issue.

Regarding scientific and technical cooperation, it was ascertained that 13 programs are already operating satisfactorily, and another 9 will be implemented, mainly for agriculture, oceanography, seismology and other purposes.

A new protocol will be promoted and signed on cultural exchanges. Regarding commercial relations, it was decided that we will obtain Romanian products, particularly timber, to balance the remainder of the \$20 million now in favor of our country.

The Romanian side has thus far signed contracts to buy Greek products worth \$52 million and it is interested in buying more.

Finally, the issue of transfer of the insurance rights of the Greek refugees in Romania was discussed, and it is believed it will be solved by May when President Ceausescu visits our country.

CSO: 4621/213

BRIEFS

MINERALS FOR ROMANIA--The Ministries of Industry/Energy and of Co-ordination have agreed on joint action to facilitate in every way exports of magnesite, deadburnt magnesia, processed refractory materials and other minerals to Romania. The decision was taken as a result of approaches made to the ministries in question by interested parties. It had been pointed out that various procedural matters had remained in suspense lately, and that this was hampering exports to Romania on a scale proportionate to the demand for such Greek products which existed on the part of the Romanians. [Athens BUSINESS & FINANCE in English 13 Feb 82 p 13]

EEC LOANS--Luxembourg (Reuter)--The European Investment Bank, long-term financing arm of the Common Market, yesterday announced loans to Ireland and Greece worth a total of \$60 million. Greece gets two loans worth \$22 million one for a hydro-electric power station on the Acheloos River, the other to the National Bank to finance small and medium-scale industrial ventures. [Athens ATHENS NEWS in English 26 Feb 82 p 9]

CSO: 4600/294

REPORT SHOWS 11 PERCENT EXPORT DECLINE IN 1981

Reykjavik MORGUNBLADID in Icelandic 13 Feb 82 p 33

[Text] Total Icelandic exports declined 11 percent in quantity this past year; a total of 675,466 tons was exported, compared with 754,238 tons in 1980. Price increases from 1980 to 1981 amounted to approximately 46 percent; the total price of exports last year was 6,536,000,000 kroner, compared with 4,459,000,000 in 1980. These statistics come from a report put out by the Industrial Export Center.

Exports of industrial goods declined 5 percent in quantity last year. A total of 163,903.4 tons was exported last year, compared with 172,666.6 tons in 1980. Price increases from 1980 to 1981 amounted to approximately 30 percent. The total price of industrial exports last year was 1,269,000,000 kroner, compared to 976 million in 1980.

Exports of aluminum and aluminum ore declined 6 percent in quantity last year. A total of 63,187.5 tons was exported in 1981, compared with 67,318 tons in 1980. Price increases from 1980 to 1981 amounted to only 17 percent. The total price of aluminum and aluminum ore exports in 1981 was 634 million kroner, compared with 541.7 million kroner in 1980.

Exports of woolen goods increased approximately 8 percent last year, a total of 1,574.5 tons being exported, compared with 1,454.3 tons in 1980.

Price increases from 1980 to 1981 amounted to 54 percent. The total price of exported woolen goods last year was 246.4 million kroner, compared with 160 million kroner in 1980.

Exportation of iron silicate increased 27 percent in quantity last year, with a total of 32,081.7 tons being exported, compared to 25,309.1 tons in 1980. Price increases from 1980 to 1981 amounted to 53 percent. The total price of exported iron silicate last year was 123.4 million kroner, compared with 80.5 million kroner in 1980.

Exports of leather and fur goods declined 18 percent in quantity last year, a total of 602.4 tons being exported, compared with 737 tons in 1980. Price increases from 1980 to 1981, on the other hand, were in the neighborhood of 28 percent. The total price of exported leather and fur goods was barely 93 million kroner last year, compared with 72 million kroner in 1980.

It should be mentioned here that the exportation of powdered seaweed increased 289 percent in quantity last year, 2,698.1 tons being exported, compared with 691.9 tons in 1980. Price increases from 1980 to 1981, on the other hand, were approximately 358 percent. The total price of exported powdered seaweed was approximately 7.7 million kroner last year, compared with a scant 1.7 million kroner in 1980.

9584

CSO: 3111/26

PCI SENATOR MACALUSO INTERVIEWED ON PROBLEMS OF SOUTH

Rome POLITICA ED ECONOMIA in Italian Dec 81 pp 79, 80

[Interview with Senator Macaluso by Italian magazine POLITICA ED ECONOMIA:
"Emanuele Macaluso: Political Forces and Intervention in the Southern Countryside"; date and place not specified]

POLITICA ED ECONOMIA: At the beginning of the 1980's, in what terms is the "agrarian question" put forth?

Macaluso: There is, and everyone sees it, a general deterioration of the situation in the South, an economic and social as well as civil decay. There is no doubt that the "agrarian question" cannot be separated from this reality. The degree of "governability" has further lessened, both in the regions and on a national level. That small amount of attention and tension which was manifest in the past years concerning problems of agriculture and of the South has decreased. We also have the problem of the areas hit by the earthquake, one of the most difficult from the agricultural standpoint, where a real program of renewal is yet to be detected. More particularly, I think I can say that the agricultural situation is aggravated above all for the following reasons: 1) Because perverse and distorted mechanisms in the policies of the EEC remain; 2) Because public funding for agriculture is slower in the South than in the central-North due to regional responsibilities, 3) because in the so-called transformed zones, which made up and make up an important part of the agricultural South, the lack and inadequacy of services which constitute an insubstitutable support for modern agriculture has exploded--and I use that term on purpose.

POLITICA ED ECONOMIA: How are these facts of southern society perceived, and what is the attitude towards them c the part of the political forces?

Macaluso: The difficulties I've mentioned are tied up, especially this year, with mediocre production and lowered incomes of the producers. This obviously contributes to a generalized feeling of distrust in the possibility that agriculture constitutes not only an adequate source of income and employment, but also an arm for more balanced and consolidated development in the South. As far as the major parties are concerned, first of all, it should be noted that the DC remains substantially anchored to an essentially welfare and local policy, governing the pockets of consensus that it has traditionally held and attempting to maintain a relationship with capitalistic forces. Today, in practice, the DC in the

agricultural South has two components: one old-style, tied to landowning farmers, and a second more modern and sometimes more dynamic one, yet for the most part tied to public spending without limits or controls.

The Socialist Party remains substantially weak in southern agriculture, having on the one hand lost, at least in part, the patromony it had acquired in the agricultural struggles, and being unable, on the other hand, to assume a position in government that is competitive with respect to the DC.

The Communist Party has certainly made an effort to update its own policies with regard to developments which came about in the southern society and countryside. Yet it seems to me that such an effort is still insufficient, and that our party organization--in the 1950's and 1960's protagonists of the great agricultural struggles--are today incapable of sufficient political initiative with respect to the problems and the new forces that characterize the southern situation. This remains one of the weak points in the South, and is tied in with enriching the PCI leadership groups in order to enable them to understand certain needs and express them politically.

POLITICA ED ECONOMIA: Is there a contradiction between an every increasingly localized and regionalized tendency in confronting problems in agriculture, particularly that of the South, and the need for a national view of agro-industrial development?

Macaluso: I would distinguish between localism and regionalism. In fact, there is a localistic but not a regionalistic tendency. To go one step further, it seems to me that the lack of exactly this dimension in the South does not allow an adequate confrontation with the problems in agriculture. Even the crisis in the regions as institutions, which is an alarming fact in the South, can be explained by this inability by regional leadership groups to give a wider airing to the problems, a dimension that is not only economic, but political and cultural. From this viewpoint, the Center left, which dominates southern administrations, has demonstrated a backwardness and lack of energy compared to a certain politico-cultural vigor which characterized past years. In any case, it seems to me that a change is coming about in Sardinia, where the coalition has again brought up the agro-pastoral problem in terms of programming and of a refusal of the Fund for Southern Italy.

No doubt, from all of this, the lack of a national view of agro-industrial development comes about. One thing is certain: such a vision is also lacking at the level of national government, and this helps neither the South as a whole, nor its local forces, to face the problem. Moreover, the only "attention" by the government--may it be said ironically--is to reduce agricultural investments in the framework of cuts in public spending...however, if this agro-industrial dimension is lacking in the southern regions and government, it must be said that recent positions taken, for example by the CGIL, and discussion going on in some regions such as Emilia, and in the same PCI regional congresses, bring forth again this national and regional vision of agro-industrial development in relation to the crisis we're living and to the way to break out of it.

POLITICAL ED ECONOMIA: In this context, what role has the extra-ordinary intervention in the South had, and how can it possibly be changed?

Macaluso: The way in which the extraordinary intervention in the South has been carried out constitutes one of the causes of the situation that the present economy and particularly southern agriculture is in. In fact, there was no programmed intervention in the agricultural infrastructure and services that correspond to the first irrigation programs, which were debatable but had a certain validity. Instead, a place was made for so-called industrial poles, with all that this means in terms of programmation and waste. But there is a central point to the whole question. We are dealing with the old vice (that also has explanations in the political and administrative system) of dispersing resources for agricultural development in too many channels. The institution of the regions should have concentrated all its spending there, abolishing--not changing--deviant and expensive structures such as those of extraordinary intervention (Fund for Southern Italy, Land Improvement Consortiums). In saying this, I certainly do not forget that there is patronage in the regions. On the contrary, I maintain that responsibilities must be defined: if everything is concentrated as, after all, the constitution states, in the regions, with a ministry capable of a function for directing, programming and connecting with the European Community, a clarification of the specific responsibilities of the regions could be reached to obtain a greater commitment by the political and social forces for a different utilization of the resources and regional structures. Dissolution of the Fund for Southern Italy; the constitution of an additional fund for the South which regional and state structures can tap for public works; services and new structures to liquidate the myriad organizations and sub-organizations that eat away at the southern economy, agriculture and political life: I maintain that all this can herald the start towards a real change in the relationship between social forces, institutions, and the programming of goals for agro-industrial development in the South.

9941
CSO: 3104/123

REPORT ON PROPOSED MEDIUM-TERM INDUSTRIAL PLAN

Bologna L'INDUSTRIA in Italian Jul-Sep 81 pp 283-299

[Article by Franco Momigliano of Turin University: Planning for the Medium Term and a Proposal for Redesigning the Instruments for Shaping Industrial Policy in Italy]

[Text] There is incentive enough to deal with the problems of a complete rethinking of the instruments used to shape industrial policy in Italy to be gained from even a casual reading of the rough draft of the Budget Minister's medium-term plan.

The medium-term plan has opted for the approach of trying to put some order into the portion of the economy that can (at least theoretically) be controlled by the government, while implicitly abandoning the intention of extending the direct control of economic policy to cover the other behaviors and cost centers of industrialists (over which the government thinks it can exercise an indirect influence with a proposed public-sector budget maneuver that might afford some new certainties within their frame of reference).

This is one way to interpret the choice the plan makes to offer some indication as to the meaning of only a few quantitative targets, having to do with only a few of the macro-variables, while foregoing any more sophisticated breakdown among the forecasts of macroeconomic variables.

The plan is limited again, in the second part of the document, to presenting a set of sector or horizontal tables or programs, spelling out on the one hand a complex of objectives and on the other an array of quantitative data on estimates of requirements (gathered from various sources) and commitments of resources of public money made, or for which there are initial indications of requests for appropriations, thus bringing out the gap (at least insofar as public spending is concerned) between estimated requirements and the first count of appropriations or proposed appropriations.

The second part of the document thus turns out not to be the fruit of a job of organic and integrated elaboration, but a mere presentation by some hit-or-miss match-up process, of the state of the available

data and estimates. The entire mid-term plan is distinguished, however, by the fact that it substantially postpones detailed exegesis of a number of specific subjects or procedures pending future proposals still to be elaborated by the ministries concerned.

This explains why the proof of the plan document is in fact limited for the time being to a blank form insofar as regards amendment of PL 675, to a bare-bones summary of public resource requirements to support applied research and of technical innovation policy, and to an unstated postponement for the Mezzogiorno of the specific incentives which we are led to believe will appear in the new bill that is to supersede PL 183.

In the second part of the proofs of the plan there is a consequent lack, for the moment, of either a consistent picture of the guidelines for a new policy of "transfers to the corporations" or of a proposal to update and rework the control machinery for industrial policy. Also absent is any hint as to the nature of the means to be used to achieve the structural and territorial objectives set forth in the plan itself.

It is clear that the Budget Minister, although he is offering a plan that has the merit of placing a new emphasis on supply-side policy (a departure from the traditional stress on policy approaches keyed to aggregate demand), and on a structurally articulated supply policy, he thought it advisable to leave a blank in the chapter dealing with the criteria for reforming the existing industrial policy tools, thus in effect delegating that chore to the proposals for the purpose to be drafted by the ministries most directly concerned: Industry, State Participations, Foreign Trade, and Mezzogiorno.

The need for and timeliness of an overall proposal for reform in the instruments of industrial policy that surfaced in the second half of the Seventies seems to have been thrust upon us by a whole body of reasons. Among them we might cite the problems with the trade balance, which our industrial system must vie to deal with over the next 5 years in relation with the altered international and domestic economic context and with the tougher demands of competitiveness, the increased cost of energy and the heightened difficulty surrounding raw materials supplies, the deteriorating state of financial and capital markets in large areas of the system in our major corporations and the consequent threat of growing acuteness in the "crisis points" of our productive system, the lopsided growth in the labor supply (particularly in the Mezzogiorno), the spreading conflicts between the need for increased productivity and the need for more jobs, the predictably stronger economic and social impact of technological innovations and the spontaneous trend toward accentuation of local dichotomies old and new within the labor market and among the several categories of scale in the corporate world.

At the same time, the timing and the need for redesigning our current array of instruments for industrial policy is urgently called for by:

- a. the impending expiration of the industrial restructuring and re-conversion act (PL 675), in light of which we must have a radical rethinking, not just because of its procedural complication, but for substantial critical concern over some of its basic criteria;
- b. the expiration of the Mezzogiorno intervention act (PL 183, now extended for 1 year) and of the remarkably innovative proposals contained in the bill introduced by the Minister for the Mezzogiorno, drafted, however, in the absence of any opportunity of coordinating it with the criteria for rewriting PL 675;
- c. the disappointing experience with the financial restructuring act (PL 787) in the part calling for establishment of banking consortia; experience which counsels some modification in the act itself, so as to permit more efficient resort to debt consolidation procedures;
- d. by the worsening of the difficulties besetting the corporations in the state participation system, for a whole complex of roots of crisis that all involve very grave indebtedness on the part of major corporations in strategic sectors of our basic industry, and an alarming paralysis in plans for essential development in high-technology sectors of industry;
- e. by the practical exhaustion (or freezing, by set-aside quotas for sectors which do not use them) of funds appropriated under PL 675;
- f. by our experience with the abortive attempt (undertaken under the now lapsed decree-law 503, particularly its article 37) to get around the guarantee and procedural difficulties introduced with PL 675, opening the possibility of granting subsidies out of a sinking fund (by the Interministerial Committee for Industrial Policy Coordination [CIPI]) to be known as the "Innovation Fund," in support "of the exceptional needs of particular sectors by reason of their technological features or by reason of the impact generated by their troubles."

The current system of relief measures, as we all know, brought with it a growing commitment to make transfers of public resources to corporations.

The policy of transfers to corporations is nevertheless not pathological in Italy because of its extent (about 2.5 percent of the GIP, or a percentage fairly close to that in other European countries), but by reason of its irrationality and ambiguity: it is a fact that more than two thirds of these transfers have gone to state participation companies and to GEPI, or to cover losses or to forfend latent unemployment within big corporations.

The fact of the matter is that, aside from the costs stemming from fiscalization of social costs (a large measure having to do with policies that are not structural, but responsive to specific short-term situations, designed to restore temporary balance to abnormal growth and irrational structuring of labor costs), to a very great ex-

tent transfer spending has been accomplished under the most disparate imaginable titles and pretexts (restructuring, reconversion, capital endowment funds, etc.), not to implement an industrial growth policy, but a welfare policy designed to crystallize inefficient situations.

Furthermore, the feasibility of pursuing the kind of industrial policy we have thus far been experimenting with now appears undermined owing precisely to the gradual onset of crisis in the very machinery upon which the whole thing was built: easy credit.

That machinery, used primarily in earlier years for generating salubrious showers of cash to alleviate local drought, has been steadily moving toward disaster:

- a. because of the increasing difficulty the medium-term loan institutions, to whom this task had been assigned, were encountering in getting funds to lend, in the wake of the profound changes that had occurred in the operation of the money market;
- b. because of the growing inability of the government's machinery to get adequate performance out of its procedures for verifying the soundness of projects for restructuring, reconversion, etc., for which it was getting requests for low-cost loans;
- c. because of the growing unwillingness of the banking system to act as the government's proxy in such verification activities for purposes of granting public funds;
- d. because that credit device has proved on many occasions to deliver paradoxical results, in that it was an inducement to corporations to incur indebtedness merely to get the easy terms; the upshot was that the corporate system in Italy has slowly been divided into two parts: one that considers access to easy credit a normal condition and practice for doing business, and another -- shut out from it -- that seeks relief in tax evasion or in operating in the submerged economy.

Looking at this, it seems a good idea to seize the occasion offered by these two deadlines to consider making substantial changes in existing legislative policy for industry, and of the accompanying instrumentalities, and to stop trying to make simplistic minor adjustments to those laws so as to make them work a little bit less sluggishly. What we really need to do is to rework the underpinnings of our industrial policy.

One very innovative attempt has already been made, insofar as concerns industrial policy with territorial goals, with the new Mezzogiorno bill to replace PL 183: that first attempt, however, must be pursued, rounded out, and brought into consonance with truly sweeping innovations to be forthcoming with the revision of PL 675.

2. Shortcomings in PL 675

This is not the place to engage in casting yet more aspersions not only on the combbersome procedures, but also on the paltry value of a number of innovations PL 675's passage was supposed to bring with it. Let it suffice to recollect here that:

- a. this law, unlike the idea that initially inspired it, turned out to be a catchall for heterogeneous measures with differing objectives (restructuring and reconversion, applied research, capital endowment funds for state participation companies, encouragement of mobility, and the like), which might have been acceptable en masse only as part of a hypothetical "master plan law" for industrial policy, but which, for purposes of their operational implementation, would probably have required specific or separate enabling legislation;
- b. this law, insofar as concerns its central portion (the part dealing with the Restructuring and Reconversion Fund) was originally suggested by a determination to resort to extraordinary short-term (3 years) measures in dealing with difficulties affecting a limited number of major corporations, or a few specific areas therein, whereas we wound up -- or are in the process of winding up -- using that purpose to make provision with other sundry and ancillary provisions tacked on to cover financial restructuring (cfr. PL 787) and with special sector legislation (cfr. the steel bill).
- c. people had the wrong-headed idea in passing this bill that they were introducing guarantee factors against excessive discretionary freedom in making grants, with a sector-by-sector planning approach based on predominantly vertical plans hashed over by both labor and management.

These plans turned out in the event to be mere clumps of statistics too wide-meshed to be useful as a set of precise or reliable guidelines, following meaningful priorities, for policies in support of areas sufficiently homogeneous (both from the point of view of specific advanced technology problems and from that of impeding crisis). In this way the sector plans (which are outdated to boot, by now) became in most instances cases of mere pretexts for seeking court orders so as to be able in theory to hand out (to more than half the industrial system and withhold from the rest) public funds, quite apart from the real reasons for which they had been appropriated.

The horizontal plans, though, which were supposed to solve specific problems having factors common to most of the industrial system, have become dead letters;

d. the artificial distinction between restructuring and reconversion slipped into the bill has become a condition for irrational criteria for granting credit relief. This has come about not only as a result of the practical impossibility of conducting an in-plant separation as between restructuring and reconversion, but also because the law sets about using this distinction to superimpose upon individual structural aims quite unrelated territorial aims. As a result, a company can get better credit terms in the North only if it innovates (meaning restructures) without diversifying its product and without creating more jobs, but it can do better in the South if it diversifies its product and transfers additional units (reconversion). In so doing the law ignores the fact that: 1. both restructuring and reconversion are given credit help in the same area where their requirements arise, and this is done not so much by encouraging reconversion (and in other localities, to boot) of the company in difficulty, as by encouraging new entrepreneurial initiative (with reconversion as its goal) in the area to which the manpower made surplus by the process of restructuring gravitates; 2. that it is absurd to go on trying to use rationing of credit assistance in pursuit of the goal of holding down employment in the North and increasing employment in the South at the individual company level, since these goals can be successfully pursued only as averages, not as dynamics in individual microeconomic units.

3. Guidelines for a New Design in Industrial Policy

Having said this much, it seems a good time to outline in preliminary and summary form some proposals for new guidelines for designing an industrial policy in Italy, based upon four pillars:

1. Pro-Innovation Policies. These policies should include both action in support of the applied research phase in industry, and in support of the transfer and introduction of new technologies, as well as fostering government research contracts, supporting innovations made in response to public demand, and supporting activities downstream of applied research (development, small-scale production, market planning) which affect and govern the success of innovations aimed, in very large corporations, at the completion of "major priority projects."

For these innovation policies, which basically ought to be the same as development policies, it would be advisable to make use of a single legislative measure, which would improve the regulations for using specific existing instruments and integrate it with the utilization of new specific instruments, then coordinate it with other non-specific instruments.

The new legislation (of, if you prefer, a specific portion of the new version of PL 675) should therefore be based: a) in part on rules that will encourage and support with simple and far more swift-moving procedures the activities of applied research and transfer of technological innovation at the level of the entire national system, and

hence equally applicable to small and medium businesses as well (with an extension of the area of application to a broader concept of industry, including as well all those activities in the advanced tertiary sector which constitute essential input to industrial production processes); b. on another side upon a system of "development contracts" (after the French experiment) which would organize specific financial intervention governed by highly selective criteria, based not so much on industrial sector priority as upon priority for "major projects" deemed to be greatly in the public interest, either directly or indirectly by reason of their impact on the country's economic situation. These development contracts should be entered into by the government with major corporations, and only through them with clusters of other smaller concerns (independent of the particular sector to which they belong) on the basis of their contribution to completion of the project. They should specifically provide assistance in covering costs and investments made in the downstream phase of the work done in the research laboratories, for planning and launching the production and marketing phases of the project. But they ought also to include allowances for utilization of the many other sources of support (for upstream applied research, for possible downstream restructuring and reconversion, for research and marketing surveys, etc.) directly or indirectly allied with the project, as well as for the corresponding commitments made by the corporation responsible for it.

2. Policies for the Crisis Points. These policies should be organized not so much on the basis of "sectors in crisis" (for which, once the concept is adequately defined and homogeneous, measures should be taken in appropriate legislation) as on the basis of the concept of "industrial district or area in crisis," meaning a specific area of the country for which, for a specified period of time, there is recognition of a crisis situation, and to which support will be extended on a basis of exception to the rule. Legislation for the crisis points should therefore include specification of the instruments best suited not only to make way for the process of economic and financial restructuring of the company or companies at the epicenter of the crisis, but also and primarily a call for new initiatives or for expansion of diversified production activities on the part of other companies located in that specific part of the country.

This legislation could thereby invoke, though with a territorial rather than a sectoral approach, some of the mechanisms for support of restructuring and labor mobility already written into PL 675 (as well as the financial restructuring of corporations called for under Art. 5, suitably redrafted, of PL 787), but it should also and above all shore them up with the temporary application of measures to encourage the birth in that area of new or expanded businesses of a replacement nature, along the lines of the incentives provided on a permanent basis for the Mezzogiorno by the new version of PL 183.

Export Support Policy. This policy should include strengthening of the instruments already called for in current PL 227, to be backed up

by new machinery already referred to in the horizontal marketing plan elaborated at the time of passage of PL 675 (and thus far still unimplemented), and reconfirmed at the January 1981 Rome meeting on Foreign Trade.

4. Policies for the Mezzogiorno. These should be the only policies marked by permanent territorial aims and should involve utilization of all the differentiated and innovative mechanisms cited in the bill to replace PL 183 by the Mezzogiorno Ministry and now before Parliament.

In this way, legislation designed for specific areas on a permanent basis would be better coordinated and compatible with the two legislative provisions, national in scope, into which the old stump of PL 675 should be split: the innovation and development law on one side, and the crisis-points law on the other.

Left open in this draft would be the entire system of credit relief for small and medium enterprise in areas other than the Mezzogiorno, which operate today primarily under PL 902, whose repeal or at least revision cannot but be assumed in light of the new guidelines and instruments in the Mezzogiorno Act.

It immediately becomes clear whether an overall policy for small and medium enterprise should continue to be fed primarily or solely on easy credit, or whether it ought not to be rooted in a plurality of various types of intervention -- most of which could be readily fitted into the context of policies for innovation and development or, in exceptional cases, into that of crisis-point policies.

The fact is that the logic behind the subdivision and graduation of intervention by the Incentives Fund established under PL 902 for the major zones of the Center-North is no longer consistent with the emergence of new models for development now in use (such, for example, as the so-called Adriatic model). These models have brought to the foreground certain requirements which are, by and large, new ones: for example, support organized at the "areas-system" level, "real incentives" support, provided with new infrastructures with modern services (including encouragement and hence easy credit arrangements for specific categories of small and medium businesses, including the advanced tertiary sector), development and extension of the application of provisions like those in the "Sabatini Law," regional policies for backward zones, participative patterns on the part of regional sources of financing, etc.

In conclusion in more general terms, it seems illusory to continue to stake everything on increased application of easy credit policies, for the purpose of supporting investments, to make up for the obstacles encountered in the high cost of money. The fact is that the high cost of money is a consequence of inflation rates: to try to start funnelling more money into generalized investment policies by

means of injecting public money for loans at easy credit rates is tantamount, once again, to fuelling a vicious circle. With the expansion of the public deficit we are underwriting inflation and thereby pushing money costs still higher, which means we are compounding the absurdity of a system in which the operation of the market is skewed by an irrational separation between businesses with access to easy credit and those that must somehow cope with increasingly high money costs because they are barred from this system.

4. Pro-Innovation Policies

4.1. Why the IMI-CIPE Fund for Applied Research Was a Disappointment

The considerations that necessitate a thorough reworking of a system of measures designed to support an innovation policy may be summed up briefly as follows.

We assume that the difficulties and the decline of competitive position in the Italian industrial system are basically attributable to a lag in our industrial system in the capacity to innovate, in the broad sense (technological, organizational, and managerial), to be explained: a) as inadequate commitment of resources to research and development; b) as lack of ability to spread innovation more rapidly -- the result not only of research done in-house, but also introduced through various channels; c) as inadequate capacity to spend and invest in order to develop swiftly and efficiently the downstream processes of development (applications) at a profitable and market level, from the innovation.

If these assumptions hold water, our innovation and development policy must affect, in its broad sense, both the research and development phase proper, and sundry other phases in the acquisition or introduction of innovations into the companies, as well as the phases of activity needful to profitable marketing development of the innovation.

One implication of these assumptions should, in consequence, be the decision to scrap our over-broad concept of "modernization," frequently used in our lawmaking, as a condition for granting financial support to investments. Attention must be paid to these assumptions when the time comes to rework articles 10 and 11 of PL 675 on applied research, and in connection with the "Fund for the Development of Innovation," (formerly article 37 of DL 503).

The reasons for our disappointing experience in the application of articles 10 and 11 in PL 675 (IMI-CIPE Fund) are known to us all.

In the first place, there was the exceptional lag between promulgation of the Act and the first instances of its application, due both to problems in interpreting it and to the cumbersome nature of its procedural requirements, with particularly untoward impact in the area of operations depending fundamentally on timeliness for efficacy.

Notwithstanding its declared intent, PL 675 has in fact added to the administrative complications and the sluggishness of bureaucratic and legal procedures, not to mention lengthening the time-lapse between requests from companies and the decision as to their fate.

It has also begotten a proposal power-gap (and hence an exemption from responsibility) on the part of the Agency (IMI) to which the verification tasks are entrusted, while there is a continuing lack of structures in the Research Ministry, to which decisions on proposals are entrusted, and they have retained the obligation to obtain a specific ruling from the CIP for approval of each individual application, even the most modest ones.

As a consequence, in most instances, help has been forthcoming tardily for research which in large measure would have been undertaken anyway by the companies, with scant incentive ex-ante for new additional research.

The procedural difficulties, combined with the lack of any mechanism whatsoever capable of giving businesses a swift answer as to the outcome of their applications, have also helped to erect an all but insurmountable barrier to access to the Fund for modest businesses at some distance from the central administrative machinery.

Lastly, the "reserve quotas" (ineffectual, especially for the Mezzogiorno) have on the one hand created a shortage of funds for applications filed and procedures already in the works, and on the other they have created idle surpluses of frozen funds going begging for lack of applications. Other fundamental shortcomings are:

- a) an irrational distribution of appropriations among the funds set up to help with up-front expenditures and those earmarked for credit assistance;
- b) the practical unworkability of the tool of credit to be repaid on the basis of success, owing to adoption of the "technical" rather than the "commercial" criterion for success, and to failure to introduce new and diversified instruments for participatory credit;
- c) the lack of a mechanism that would provide, without any further legislative action, for annual restoration of the Fund, as part of passage of the finance bill.

4.2. Outlines of Possible Reform in Measures in Support of Applied Research as Provided in PL 675

Insofar as concerns specific action in support of applied research in corporations, it would seem helpful, in the first place, to draw some distinctions among corporate research projects, according to various categories of scale, so as to cut the time and red-tape requirement for smaller projects submitted by small businesses, and simplify the verification and decision-making processes for them.

to this end, by way of suggestion, research projects could be classified into three scale categories according to cost: up to 1 billion lire, from 1 to 15 billion lire, and over 15 billion lire.

For research projects submitted by small and medium businesses involving costs not in excess of a billion lire, we might set up procedures which would let the verification process be handled by other regionally decentralized institutes or agencies, on a delegation basis and upon certification of their competency, from the Research Ministry acting in concert with the Industry Ministry.

For projects costing more than a billion, the verification process might remain centralized in a single institute (IMI).

For all research projects with costs of as much as a billion lire, the decision should be rendered by the ministries rather than by the CIPI; there might also be a time limit set by law on the verification process and on ministerial decisions, introducing the principle that silence implies consent in cases where the applicant has not received notification as to the approval or rejection of his application within a reasonable (stipulated) lapse of time.

Procedures relative to big-company research projects with costs in excess of 15 billion lire should, however, be left pretty much the way they are: verification by IMI, proposal from the Research Ministry, and decision by CIPI.

There should also be some corrections made in the current rules (article 10 of PL 675) which call for proportionally higher subsidies for expenditures than for easy credit terms.

Another sound reform would center on the reserve shares currently called for under the Funds Act.

The reserve quota (40 percent) for research projects conducted in the Mezzogiorno could be set up in a different form of support for Southern research, based on the increase in percentages of research spending that could be financed with the subsidy.

For example, an acceptable structure of ceilings on public assistance for applied research to corporations might be set up along the lines shown on the table below.

There might also be provision, for small and medium companies, for government support for innovations made elsewhere than in the research laboratory, and hence in support of capital ventures (for setting up a company aimed at industrial realization of an innovative idea) and of innovations (especially in processes) introduced and adopted directly into the production phases.

	Ceiling on help with expenditures	Ceiling on total help including easy credit
	25%	50%
Increases for priority sectors and/or major projects	10%	20%
Increases for research conducted in the North for production in the South	5%	10%
Increases for research conducted in the South	10%	20%

We must, also, be mindful of the fact that one important channel for the introduction of innovation, especially in the small and medium business system, has no direct ties with any research and development activity proper, but runs through the acquisition of technologies already developed elsewhere.

We might follow France's example, and encourage this process by making small and medium industries (but only these) eligible for help with the initial expenses of acquiring licences, patents, and know-how, up to a ceiling of 35 percent (which could go as high as 50 percent for such firms in the South).

We could also, or alternatively, apply patterns of help to small and medium businesses for innovative initiatives costing no more than a certain ceiling, in the form of direct payments to expenditures encountered in the process of producing a prototype (along the lines of the French "prototype contract"). The problem of refinancing the IMI Fund for applied research is clearly an urgent one. Generally speaking, refinancing over the next 3 years ought perhaps to be effected in this order of magnitude:

- a) a one-time appropriation to settle backlog cases (applications not yet met but submitted to the IMI Fund up to the end of 1980): the estimate for the sum required could be made by the IMI (it should be noted that at least 500 to 600 billion lire will be needed for this purpose);
- b) an appropriation for the entire 3-year period 1981-1983 to be set according to parameters derived from international comparisons (on the average in the EEC government aid to applied research by businesses it will run around 0.25 percent of GIP), from our growth assumptions for GIP, and from forecasts of inflation rates.

Bearing these parameters in mind, we must assume that, for the next 3 years, annual appropriations for the IMI Fund would come to at least something in the neighborhood of 700-800 billion lire each year,

with each year's refunding discussed in the process of passing the finance bill.

Public contributions should be provided from separate sources for the establishment of research centers (with mixed public and private holdings) and of centers for the spread and transfer of technologies (according to variable formulas based for example on the French experience with its National Research Support Agency (ANVAR) and its Support Fund for Innovation (Sofinova)).

Lastly, Parliament ought to consider as soon as possible a bill authorizing public research contracts.

4.3. Outlines of a Proposal for the Innovation Development Fund

The proposal for introduction of the "Innovation Fund" (formerly article 37 of DL 503) should be rethought, and put back together in much more coherent form, including: its purposes, the phases of activity of the businesses involved (with requisite coordination and stipulation of boundaries with relation to the Fund's area of activity in applied research), with regard to its selectivity, the nature of the support lent, and the machinery and procedures for verification, decision-making, and monitoring.

1) The innovation development fund should be of the nature of a special rotating fund, with off-budget management entrusted to a special lending institution (in this specific case, because of the know-how it has already accumulated, to the IMI). Its purpose should be extraordinary and concerted support to phases downstream from applied research, meaning all the activities of the recipient business that are involved in the process of starting production and marketing the fruit of an innovation.

In this sense the action of what has been called the "Innovation Fund" (better described, actually, as an "Innovation Development Fund") should include some extraordinary support, which would be oriented toward both investment activities and current expenditures incurred by the businesses concerned, beginning with the prototype, for experimentation, engineering, initial short production runs and marketing studies (including the costs of training or retraining personnel) for a new product or a new process.

In this sense the Fund's activities on behalf of innovation development should become complementary to, rather than be superimposed upon the support activities of the Fund for Applied Corporate Research (the IMI Fund); it should, however, lend support as well to expenditures and investments for starting production and marketing of the innovative fruits of applied research already successfully completed.

2. Its activities should be concentrated, and therefore reserved for a handful of "major innovative projects" deemed worthy of priority by the CIP, either by reason of their direct benefit to the pub-

lic or by reason of an exceptionally wide range of fallout effects on particular strategically important segments of industry for purposes of expanding the national economy.

The choice of such major priority projects should not be determined by law, but left to the CIPI, which could single out certain segments in advance as concerned and eligible, but should not base the selectivity of its actions on sectoral preferences, but rather on that of singling out specific "major projects" (whose completion might involve some action cutting across sectorial lines), defined on the basis of their complete description and readiness for implementation: for example, development of an automobile with low energy requirements, or of specific telemetry or automation systems for office work, or of equipment and methods and processes for producing certain alternative energy sources, etc.

3. The nature of the extraordinary support provided ought to be neither pure subsidy based on expenditures and investment costs incurred (as it is under article 37 of DL 503), nor yet ought it to be purely credit relief, but rather something halfway between them.

One might suggest for this purpose easy-term loans to be repaid out of royalties, on the basis of the commercial success of the project's results, or even in new ways, such as participatory credit.

In this second case the intervention might for example be performed with a loan, at a particularly low rate of interest, covering the pre-amortization period (up to a maximum of 5 years) with an option at its term for the company to repay the loan either according to the agreed-upon amortization plan (maximum 10 years) at interest rates equal to the original ones, or to repay it by transferring to the financing agency savings shares, which the agency itself could then put on the market, using the proceeds to refinance the Fund.

4. Fund intervention should be based on a "development contract" entered into (after technical verification by IMI and subordinate to a decision by CIPI) with a "major corporation" which, in that it is "responsible for completion of the project" becomes sole contracting party, and hence coordinator of all the activities of other companies involved (even though they may belong to different sectors). The target of its intervention should in any case continue to be the whole body of activities necessary to complete development and the start of production and marketing of that specific project, not the entire mass of expenditures for all its output by the contracting company during the aforesaid phases of activity.

5. All procedures, be they for verification, for decision-making, for the actual transfer of grant funds, or for monitoring the credit advantages embodied in the "development contract," should be lean, flexible, and swift to take effect. To this end, there should be no stipulations written into law save a handful of rules, principles, and restraints of a general nature, leaving all other aspects

out of the language, including procedural aspects (which might turn out to be different in relation to the specific nature of the innovation and the project), and allowing them to be tailored to fit each specific "development contract."

The development contract should be approved by a CIPI decision, upon completion of the verification process by the managing agency for the Fund, at the suggestion of the Ministry for Industry. In its decision on the development contract the CIPI should include, as we said earlier, a list of all the other public aid or of all the other types of direct public intervention on behalf of the company in support of the project, as well as the commitment the company shall assume in relation to them.

5. Crisis Point Policy

The redrafting of PL 675 (or what is left of it) should be done basically as a function of a target solution for dealing with crisis points.

The new legislation should therefore include a description of the procedures preliminary to declaration of a crisis point.

The crisis point ought as a rule to be identified as belonging in a specific area of the country (an industrial district whose extent is compatible with the processes of manpower mobility) in which a situation of crisis has arisen as a result of troubles experienced by one or more companies in the area of such severity as to require for their resolution restructuring processes which will involve the appearance of a sizable surplus of labor in the area. In some cases of area-systems, the crisis situation might be detected as a function of a state of crisis in one "industry segment" involving the activity of a large proportion of the businesses that have come into the area because of its high level of specialization in this particular field of activity.

The finding of crisis should refer to a crisis situation which is not temporary in nature, but structural, such as to call, in its resolution, for processes of restructuring, reconversion, and expansion of the industrial system throughout the area.

The crisis situation should be declared for limited periods of time, never for longer than 5 years. Intervention under the law should be aimed not only at encouraging the restructuring process in the crisis-stricken company in the area, but also and above all at attracting new industrial enterprise into the area or expanding existing industry there, diversified enough to be able to exert a compensating effect of reabsorption of the workers laid off by the crisis-stricken companies while they undergo restructuring or indeed go out of business.

The condition for eligibility for public support incentives to this end should be that the factors in the crisis give rise to loss of employment in the area, extensive enough to meet or exceed a certain

minimum percentage of the labor force employed in non-agricultural activity in the area, to be set at gradually higher levels as a function of the absolute level of such employment. Acceptable forms of intervention might be:

1. for businesses in crisis, according to circumstances, those already provided in PL 675 for restructuring or reconversion operations (with the exception of direct loans) and/or those provided for in article 5 of PL 787, properly redrafted;
2. for new businesses, and for expansion of other businesses in the area, provided they involve provision of additional jobs and hence can hire those laid off elsewhere in the area, the same kinds of help could be offered (interest subsidies for a period of years in relation to retirement of bank loans, capital subsidies, subsidies to help cover the increased work force, with the exception of tax breaks) consonant with the provisions in the new bill planned to replace PL 183 for the Mezzogiorno.

These kinds of help should be granted only to businesses just moving into the area or expanding their plants there, which will become operational within the period for which the crisis situation was declared for the area.

The legislative measures for crisis points should be national in scope, and hence embodied in the Mezzogiorno in those stipulated in the new version of PL 183.

There should be no provision for declarations of crisis sectors of national scope, since crisis point intervention must in every case have a specific geographical location. Help for new businesses or for plant expansion in the crisis area could be increased where advisable (for example, within the limits of the increases provided for in the new bill to replace PL 183 for the Basilicata and Calabria), when job losses brought about by the crisis situation had an impact on employment in the area amounting for example to twice the minimum percentages indicated for each scale category of employment.

The Ministries of Labor and Industry should in concert declare the early termination of the crisis time period in an area, at such time as they find that new businesses or attracted expansions have more than compensated for the layoffs brought about as a result of the earlier crisis period.

The consequence would be abolition, through the granting of credit relief, in this new version of PL 675, of any and all requirements for compatibility with generic sectoral plans, or distinctions as among operations of restructuring, reconversion, or modernization, or the no-growth restriction in areas of the North (in crisis) in the employment levels of individual companies.

6. The Sector Plans

A special section of the new version of PL 675 should call for continuation of the activity of preparing surveys (or possible plans) for the sectors, but extended to the entire national industrial system, and developed not to constitute some juridical presupposition for granting relief, but to provide the government with a permanently up-to-date view of the situation, the shape, and the problems of the industrial system. Sector surveys should thus be prepared for the purpose of providing factual data suitable to indicate which measures would be more efficacious, from time to time (adopted with a public demand policy, with a policy of specific or non-specific instruments for supporting innovation, with training policies, with fiscal policies, or with export support policies, or by virtue of other types of horizontal intervention) to forestall the formation of crisis points and to orient innovation policy.

It should also be made a fixed rule that any document from the Ministry for Industry containing survey findings or sector plans, must be rewritten or updated -- under pain of lapsing -- every 2 years at least.

Sector surveys designed to gather data, for forecasting crisis points and for purposes of orienting innovation policy, combined with the rewriting of all "plans horizontal in nature," and which single out specific "major special priority projects" should thus constitute the underpinning, along with statistical data on the amount of transfers to business carried on the inclusive public deficit, for the annual compilation of the REPORT ON THE STATE OF INDUSTRY.

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INCENTIVES FOR INDUSTRIALIZATION OF THE SOUTH

Bologna L'INDUSTRIA in Italian Apr-Jun 81 pp 219-224

[Article by Paolo Baratta: "Direct Incentives and Real Incentives"]

[Text] 1. At the time incentives for industrialization of the south were introduced, it was explained that their aim was to help reduce differences between the advantages of investing in the underdeveloped area compared with those of investing in the developed areas of the rest of the country. But no one could ever have claimed that in order to promote the industrialization of the southern area it would be possible to rely entirely on the resources of that area. Additional aid was and is equally necessary, from the development of infrastructures to the spread of services, since the shortcomings in environmental conditions are not solely and simply translated into additional costs for the administration of industry and cannot always, therefore, be completely compensated by aid.

It can unquestionably be said that, in regard to the future, integration of incentives and measures to improve training and spread services throughout the territory seems still more important than it was in the past as a result of the changed conditions under which industrial development is taking place. In fact, great importance is attributed to the problems of consolidation and the growth of the industrial apparatus achieved in the south in recent 5-year periods and especially the problems of the growth of businesses operating in the area.

The diffusion of services and so-called "real" incentives cannot, however, be presented as a "new proposal" and as an alternative to direct incentive programs. If anything, it must be said that an explanation is necessary regarding the nature of these incentives and the possibility of a specific policy in regard to them.

2. Many proposals to reform incentive programs have been presented in recent years. They seem to have been founded on an illusory confidence regarding the possibility of controlling--through increases or changes in the composition of aid--the sectoral characteristics of the process of industrialization of the south and its territorial orientation within that area. Early examples of this are the various aid increases introduced by law for the "priority" sectors or for "particularly depressed" areas.

Their application has resulted in further administrative complications and considerable delays in the completion of regulations; and this only for the purpose, among others, of introducing small and modestly significant differentiations. The profit derived from investment in a less developed area is not related to the sector it represents. It may vary broadly, within a single sector, or between businesses that differ from each other due to organizational structure, type of production, or market outlets. Rather, if anything, it might be said that it is precisely in relation to these various possibilities characteristic of administration that an industrial initiative can encounter major or minor obstacles in a more backward area.

Regarding increases referred to the territory, it should be observed that ample justification could be advanced for a clear differentiation between the large areas of the south, particularly among the more northerly of the south itself, and those that are peripheral. Much less justifiable are the differences in aid to areas selected within the southern regions, that is, where the spread of development depends to a decisive extent on aid suitable to the area and its environment.

3. Even variations in the character of incentives are often presented as decisive proposals for the pursuit of particular channels of industrialization. A widely held thesis asserts that an increase in the relative weight of a decreased cost of labor can lead to more labor-intensive development which, therefore, would have a greater effect on employment. In this case, it must be noted that it is not easy to single out correlations between the relative weight of the cost of labor within the framework of the added value of a particular enterprise, and the degree to which this enterprise can deal with obstacles and disadvantages in the process of establishment or in development within a backward area rather than in a developed area.

In the broad gamut of enterprises involving higher labor intensity, very different situations can be encountered in this regard.

Departments of manufacturing plants that require large numbers of unskilled workers and that belong to businesses that operate in sectors of complex technology, can be considered easily transferable to backward areas. In contrast, a high degree of inelasticity was found in the choice of location for many labor-intensive and even traditional enterprises, which were heavily dependent on resources of external economies. This inelasticity is typical of the more industrialized areas.

Regarding the extreme position, expressed by those who say that the objective of a system of incentives must be to "create employment," it should be said that such a statement cannot be accepted without qualification.

The primary objective of a policy of incentives is to encourage the accumulation of capital in an area in which it [capital] is insufficient; the aim of capital accumulation is to expand employment opportunities in economic and efficient ways. The result in terms of employment, whether industrial or not, will be greater according to the intensity with which this process is promoted.

The aim of incentives is to contribute to the development of industry, not of work projects, since it is preferable and socially less expensive to deal with residual employment problems through other forms of aid.

Presently, with the current relief, the cost of labor for a new enterprise in the south is reduced by about 20 to 22 percent compared with the center-northern part of the country, for a limited period. Regarding this situation when it is proposed to concentrate resources prevalently if not exclusively on decreased costs of labor, it would be wise to specify what further reduction is considered necessary. If the reduction were much greater than that referred to above, would there not be the risk of promoting a development that would later require permanent subsidies of that kind?

If an enterprise were attracted by such special circumstances, what hope of survival would it have once the aid ceased? Probably, it would tend to rapidly migrate to other areas where costs of labor have been stabilized on levels far lower than those existing in our economy. Consideration should be given to the importance of reviewing the composition of incentives and to eventually increase those related to the cost of labor, but this must be done in terms of an objective of a correct balance among the various measures.

A balanced system of incentives should be composed of various kinds of benefits--that would have a generally identical effect on each of the various components of cost--which contribute to the formation of the value added by the enterprise. This would produce a system of aid that would be related exclusively to the value added by the enterprise and would be unaffected its composition.

On the contrary, imbalances in the system of incentives that favor this or that cost component, risk either being insufficient or introducing undesired incomes.

4. It seems very important to maintain a traditional characteristic inherent in the system of incentives established for the south: a specific statement, from the beginning, of the extent of individual forms of aid.

In fact, only in this way can there be a predetermination of the frame of reference for the assessments of an enterprise that must choose a location. Since this would reduce the discretionary latitude of those who administer the incentives, the program's administration would improve.

All this, on the other hand, does not exist in the other system of incentives, that introduced by the law on reconstruction and reconversion. In that system aid measures are set at the end of the process established for "investigation" of projects. This increases the complexity of the administration of incentives--the present failure to make Law No 675 operational shows this--while enterprises are not offered a framework of certainty, but only the possibility of eventual future aid after choices have been made.

5. The problem of credit supports has been dealt with in a very broad way. For some time, this form of incentives has been the target of polemical arrows. The demand for its abolition becomes more widespread; except for the fact that note was taken of the further spread of these credit supports as principal instruments both in the policy of aid for small enterprises as well as in policy directed at promoting the reconstruction and reconversion of national industry.

A variety of problems involved in individual businesses meet at this crossroads. These are worsened by a complicated set of regulations that have become stratified and often confused over a period of time.

Preliminarily, it is well to observe that a very important benefit is introduced by lower interest rates on medium-term loans. Involved in this is a reduction of costs borne during the course of establishing and fine-tuning a business, and, from the financial point of view, reducing the need--because of lower costs--for external financing, during this entire phase. These are the very delicate aspects of a financial plan of investment, all the more delicate in conditions where credit is not easily available and where its cost is high.

Burdens and difficulties in this phase are not always compensated by the hope of being able to benefit--once the business is fully established--from lowered costs in future budgets.

It should be said that in order to achieve the same goals credit supports can easily be replaced by a form of additional aid, related to that already established, that could be extended during the course of the investment.

But if the problems that have emerged from the discussion of credit supports seem to be very broad, they nevertheless can be traced back to two orders of questions.

The first could be called the question of the administrative surrogate. It is observed that in the administration of credit supports, credit institutions take on functions and tasks belonging to public administration in regard to investigation, controls, etc.

The second question could be called co-responsibility. This involves a relationship that is established between two decisions: that of the credit institution (willingness to finance) and that of the government administration (making aid available). These two decisions are taken, evidently, in regard to a single proposal of a financial plan presented by the enterprise. They appear to be interdependent: The decision to finance a project cannot be separated from the presence or absence of incentives. On the other hand, the willingness to finance in turn risks appearing as a necessary condition for the concession of aid by public authority. This is the source of the various problems posed by the importance assumed, even though indirectly, by the decisions of a credit institute in regard to lending government money.

The subject is certainly complex, but it does not seem that abolition of credit supports is sufficient to cause the disappearance of the various problems raised.

The tendency to entrust tasks of public administration to credit institutions should be corrected by giving the public administration its own adequate instruments. In this regard it is observed how, in agreements established for application of Law No 675, measures are provided to entrust administrative functions to [private credit] institutions not only in reference to favorable terms on

credit they themselves extend, but also for the purpose of investigation and administration of other kinds of aid directly given by state authorities to enterprises.

Concerning the question of co-responsibility, I limit myself to observing that if that is truly important, it is so for any kind of incentive or contribution made by the state to businesses in which credit institutions join with the state, and therefore, not only in relation to the particular form of favorable credit terms.

A reform of regulations designed to reduce or to overcome these problems seems to me must start with an exact specification of the three phases of decision:

--That of the formal verification of the admissibility of incentives (that is, if the enterprise has the objective characteristics prescribed by law in this regard: location, dimension, etc.);

--That of verifying its economic validity;

--That of administrative verification required for granting incentives.

Specifically, it is necessary to eliminate the present confusion in which, to the function of investigation by the bank, is added the absurd bureaucratic role of "verification" of the economic validity of the enterprise. Furthermore, investigations of the progress of the initiative, made by lending institutions, also become administrative acts controlling the decision to advance aid.

The public administration, or in any case, the institution authorized to approve incentives, should be equipped to make its own investigation. The illusion of having "an administrative investigation" of the economic validity of the investment must end. This is an assessment always made in an atmosphere of uncertainty, an uncertainty which public aid can only partially reduce but never eliminate. The act by which credit is granted represents a willingness to assume a risk, but it can never be assumed that it is a certification of the soundness of the initiative.

On the other hand, the concession of public aid cannot take place except upon the basis of criteria of a completely different nature. In fact, a different instrument exists for the direct assumption by the state of business risks on the basis of assessments of validity--that of state participation.

6034

CSO: 3104/118

ADANA-BASED COMPANY REPORTS CEMENT EXPORTS TO IRAQ, SYRIA

Adana YENI ADANA in Turkish 22 Jan 82 p 2

[Text] The CCF [expansion unknown], established in Adana, has exported 567,273 tons of cement to Iraq and Syria in 1981, bringing \$70.5 million in foreign exchange into the country.

CCF Director General Haluk Ergeneli indicated that a large portion of the cement exports were to Iraq, at prices ranging from \$126 and \$137. The following information was provided to the Akajans correspondent on this subject.

"Of the total of 567,273 tons of cement exported, 551,611 tons went to Iraq and 15,656 tons to Syria. The exports were delivered to Iraq at Mosul and to Syria at Aleppo. Furthermore, some of the exports changed hands at the factory. A large part of the cement was sold at \$126 per ton and the remainder at \$137. These exports brought \$70,557,393 into the country. In terms of monetary value, our factory accounts for one-third of the exports by all the cement factories in our country.

This Year 700,000 Tons Will Be Exported

Haluk Ergeneli noted that factory production had been maintained at full capacity. He indicated that the production target for this year was 1.35 million tons. He said that "negotiations are continuing for the 1982 exports. I hope to be able to export in the area of 700,000-750,000 tons. Our efforts are being directed toward this. Our goal is to export more than we did in 1981 and to earn foreign exchange in that measure.

CSO: 4654/201

LARGE DEPOSITS OF LOW-GRADE CHROMITE DISCOVERED IN ADANA

Adana YENI ADANA in Turkish 21 Jan 82 pp 1, 6

[Text] Turkey's largest deposits of chromium, of a low grade, were discovered in Adana's Karsanti region during exploration by the Mediterranean Region Directorate of the Mining Research and Exploration Institute. After several technological studies it was announced that the amount of chromium to be obtained from this region would approximately equal the amount of high-grade chromium in this country.

According to information given to the Anatolian News Agency correspondents by officials of the Eastern Mediterranean Region Directorate of the Mining Research and Exploration Institute, the probable low-grade chromite reserves in the Karsanti region were 7 percent [pure]. In the event this figure was raised to 48 percent by a series of technological processes, these reserves would be equivalent to our country's high-grade chromite reserves, reserves which are not definitely known, but which are estimated at 36 million tons.

Officials indicated that samples of the low-grade chromite from the Karsanti Region have been taken and that laboratory work is underway.

The officials note that Turkey is occasionally ranked first, occasionally second, sixth [sic] in the world in chromium consumption [sic]. They said the following about the chromium deposits in Cukurova region:

"In our region, there are chromium deposits in Karsanti, Mersin, Kahramanmaras, Islahiye and Hatay. Of these, it has been determined that the chromite deposits at Kahramanmaras and Islahiye do not contain significant reserves. In Mersin and Karsanti, however, there are known chromite deposits of 4 million tons."

CSO: 4654/199

PAPER COMMENTS ON PROBLEMS IN SOUTH TIROL

Vienna DIE PRESSE in German 15 Feb 82 p 1

[Editorial by Andreas Unterberger: "Worries About South Tirol"]

[Text] For the first time since the South Tirol agreement was signed at the end of the 1960's, Vienna must once again pay closer attention to the South Tirol problem. For the first time in 12 years it is no longer enough in general terms to urge speedy implementation of the "package" in official contacts with Rome and in speeches before the UN general assembly. For the first time Vienna will carefully scrutinize, together with Bolzano and Innsbruck, the Italian proposals concerning the still unresolved questions. And for the first time there will again be detailed discussions with Rome about the substance of these still uninitiated implementation procedures.

It is high time for this. For all the friendship with Italy, for all the regrets about the constant change of governments, for all the going along with the Italians' slow pace in complying with the South Tirol package provisions--the fact that the implementation schedule is still undetermined comes close to being a breach of contract. According to the original schedule, this was to have happened during the middle 1970's. Even if Rome has traditionally shown a certain disregard for the Gruber-De Gasperi agreement, this attitude is still not an acceptable one.

True, Rome once again has a head of government who makes lots of promises to the South Tiroleans and who has earned a certain amount of trust by the minorities. But Bolzano has seen quite a number of benevolent prime ministers hold office in Rome. They came and they went, but the bureaucracy remained in place. And in many countries bureaucrats are more powerful than the political intentions of their governments. This is particularly true in Italy. Very few among them are prepared to accept the fact that autonomy for a group of people living in the mountains at the distant borders of the country should detract from the power of eternal Rome. But those bureaucrats are the ones who, despite divergent intentions by their chiefs, write the implementation procedures in a way which makes them unacceptable; they are the ones also who, more dangerously for the long term, "forget" to include in new laws the rights which have been accorded to the minorities. It was due to one of those "forgetful" laws that for about the last 18 months in South Tirol civil service vacancies have not been filled proportionally in South Tirol.

Prime Minister Spadolini has once again promised that civil service jobs will be filled in a correct manner. The long delay is not the only thing which has made the job announcements so important: especially during these last 18 months the Italian economic crisis has made its way north through the Salurn Pass and now makes the civil service jobs desirable for the South Tiroleans too, though for a long time they had wanted no part of them.

But the matter which still appears totally unresolved is the question of language use in courts of justice and police and the successive appeals before the administrative courts. On the one hand this involves the basic human right to use one's own mother tongue in dealing with a judge or policeman without suffering the implicit pressure of having to use the same language as the person in power; on the other hand, there is the South Tiroleans' justified suspicion of Rome's behind-the-scenes efforts to block appeals to the central authorities in matters affecting autonomy.

There is no doubt that though the South Tirolean's concerns are plausible enough, there is no great probability that they will be alleviated in 1982. That is so because the Italians in the province were shocked to find during the last census that their number had decreased by 3.9 percent. Nor is this shock diminished by the fact that today the number of Italians living in South Tirol has increased eighteenfold over the number residing there at the end of the [Austro-Hungarian] empire period. It is true that during the last few years some Italians have left; in general they have fewer children than the South Tiroleans; and a number of them have secretly become members of the German national group--either to protest against conditions in Italy or in hopes of more easily finding housing and jobs as "Germans."

But whatever the reasons are for the shrinkage in numbers of Italians, this changes nothing whatever in the fact that agreements must be honored. And the longer this is neglected, the more serious the situation becomes.

9273

CSO: 3103/285

ALBRECHT EXPECTS CDU VICTORY IN LOWER SAXONY

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 20 Feb 82 p 5

[Article by Wolfgang Tersteegen: "Albrecht's Offer to the FDP--Election Campaign Starting in Lower Saxony"]

[Text] Hanover, 19 February--Minister President Albrecht wants to take as little notice as possible of the CDU's adversaries in the Landtag election campaign. In an interview with this newspaper, the head of government and his party's top candidate, made the following statement: "We are not paying attention to the FDP, nor to the Greens, and only marginally to the SPD." He was much more interested, he continued, to explain the CDU's and the government's policies for Lower Saxony to the citizens. For one thing, that requires that the record of these policies be discussed. Another objective would be to predict the future if the CDU were once again returned to power, which he considers "beyond question."

Albrecht's goal for the 21 March elections is to see the CDU further improve its Landtag election successes of 1978. To achieve this, the CDU would have to exceed its 1978 share of the votes of 48.7 percent, which had provided it with an absolute majority in the two-party Landtag. The CDU's success in the 1981 communal elections (50.2 percent) and recent poll results which indicate a 50 percent share for the CDU, make this appear to be realistic. "We will be satisfied with any improvement over 1978," said Albrecht, flashing a victor's smile. He rejects any speculation that the CDU--depending upon the showing made by the SPD, the FDP and the Greens--might have to accept a coalition partner.

"At this moment," says Albrecht, "there is no question of this as far as I am concerned." It was a different story in late October of last year, when the minister president announced the election date 3 months prior to the expiration of the legislative period. At that time, Albrecht had considered it desirable for Lower Saxony to have once again a CDU/FDP coalition government after the FDP's return to the Landtag, as had been the case from January 1977 to the last Landtag election. Thinking no doubt of the usefulness of a Lower Saxony CDU/FDP coalition for him, Albrecht had simultaneously made a far reaching offer: the FDP could have two ministerial posts, and it could become a coalition partner even in case the CDU should be successful in once again gaining an absolute majority.

Could it be that this offer no longer stands since the FDP decided, at its party congress in Bad Rothenfeld last December, not to commit itself to a coalition and merely to express its willingness to conduct coalition talks after 21 March? "Let's get the elections over with first," says Albrecht, and adds, true to his election campaign strategy of ignoring political adversaries so as not to accord them too much importance: "Everybody knows that as far as the CDU's election prospects are concerned, they are close to an absolute majority, or even beyond it."

Nevertheless, Albrecht does not share the widely-held opinion that the election was decided long ago. On the contrary, he is convinced that even during the last 4 weeks preceding the elections he can win additional voters for the CDU. Especially the undecided voters among the 5.4 million eligibles should be solicited. This he plans to do in concert with all 105,000 party members of Lower Saxony, hoping that a "significant majority" of them will in the end vote CDU. Next Saturday, at the Land Party congress in Osnabrueck, Albrecht will embark upon the "hot" phase of the election campaign which the CDU is conducting with the motto "Albrecht politics put Lower Saxony on a firm base."

Albrecht's main theme in the election campaign will be unemployment. Lower Saxony's high unemployment rate of 10.5 percent makes this advisable. But, says Albrecht, the subject must not be dealt with without calling attention to the Federal Government's neglect and especially the SPD's failures in this respect. On this subject he feels that he will have to deviate from his election campaign strategy of "ignoring" his political adversaries. The citizens must be shown that the SPD, which appears to be increasingly leaderless, has been a failure in employment market and structure policy--not only nationally, but also in Lower Saxony, where in 26 years in the government Social Democrats had been unable to remedy structural weaknesses; so much so, that the Land is still suffering the effects.

And once again Albrecht touches upon the Federal Government's employment program in this context. Assuming that its funding through an increased value-added tax, which is rejected by the Union-government Laender, is defeated, this program might provide some tens of thousands of jobs. For this reason, Lower Saxony approaches this program with an open mind, he indicated, even though it would be inadequate considering the big task of once again approaching the former state of full employment. However, Lower Saxony would insist that the job-defeating, anti-social value-added tax increase be rejected and that the program be financed and implemented in some other way, e.g., by economics in the federal budget and by lowering the interest rate.

9273
CSO: 3103/287

POLITICAL

FEDERAL REPUBLIC OF GERMANY

TRANSPORT MINISTER HAUFF INTERVIEWED ON SPD, ENVIRONMENT

Bonn VORWAERTS in German 21 Jan 87 p 2

[Text] Volker Hauff has been directing a commission of the SPD Federal Committee, which during the past year has been developing an ecological basic document for the Munich party congress of the SPD in May.

VORWAERTS: Mr Hauff, your document on ecology policy is to be adopted at the SPD party congress. Is your draft not a departure from the traditional role of the SPD as a workingman's party, but a refuge for alternative dissenters?

Volker Hauff: No. This is shown by the fact that the paper was not worked up by me, but by a large commission and was approved by people like Alois Pfeiffer of the DGB Federal Board and Sigi Merten of the OeTV [Public Service, Transportation, and Traffic Union].

VORWAERTS: How does your environmental policy differ from that of the Greens?

Hauff: The decisive sentence on that is in our paper: Those who say they are able to solve environmental problems at the expense of democratic structures come up against our decisive resistance. This means that one may not declare that individual questions of ecology are questions of survival and thereby declare democratic processes of opinion formation invalid.

On the other hand we are also separate from those who represent protectors of the environment as economic pipe-dreamers.

VORWAERTS: As minister of transportation you had ample opportunity to transform your environmental policy concepts into practice.

Hauff: Yes. In transportation policy it is indeed necessary to discard some ideas which even we Social Democrats have espoused in the past. This is especially true of road construction.

For example, we have given the provinces the possibility of shifting 15 percent of the funds for village roadbuilding over to short-distance public transportation. North Rhine-Westfalia has made use of it, as has some other provinces, but only those ruled by the SPD or the SPD/FDP, however.

VORWAERTS: The removal of the vehicle tax, reasonable in terms of environmental policy, and its apportionment to the petroleum tax still stands out, however.

Hauff: Such an apportionment must necessarily result in particular victims, who are professionally dependent on the use of automobiles, such as salesmen, the handicapped, or long-distance commuters. We have to find an appropriate solution for these people and we are working on it.

The political problem lies in the fact that the Bundesrat would have to agree to a reapportionment. And the Union has indicated clearly that it will approve of such a measure only if at least an additional billion will be released for the provinces. And I understand why the federal minister of finance does not agree to it.

VORWAERTS: They accuse you of wanting to condemn the automobile to the position of a luxury item. Are they right?

Hauff: I would never accept the expression "luxury item." In the paper we said, and I also associate myself with it, that the further growth of individual transport is impinging on limits. This means that we must take care that those who want to change over from the automobile have the possibility to do so.

I am firmly convinced that it is the same with many people as it is with me: In no case do I want to renounce the automobile, but I am quite ready to use public transportation over short distances now and then. On occasion one can also ride a bicycle and--one can hardly believe it--even walk.

VORWAERTS: How can the Federal Railways encourage motorists to switch over, in the face of their continuing difficulties?

Hauff: I believe that the railways have a great future. But only if we come to the necessary decisions on the railways. The railways must be attractive. Attractiveness in passenger transport means first of all a really dense network of short-distance traffic. It means short intervals between departures, the greatest possible reliability and adequate travel comfort. And the ticket price must also be appropriate.

It is important now that the scarce money be used to make investments to increase the attractiveness.

VORWAERTS: And therefore further increases in the fares?

Hauff: Yes. In any case the degree of coverage of costs, which in passenger traffic in the country is about 20 percent, should not sink any further. I consider it correct, as a matter of business policy, to invest and create jobs rather than subsidize fares. And I also consider it socially justifiable.

VORWAERTS: You have spoken out against the extension of the Rhine-Main-Danube Canal. Will the project soon be idled.

Hauff: An idling of the project would be wrong, because it would only mean chaos. But I consider the continuation of the project as questionable and it should be considered how a sensible termination of the construction measures might look: What should be completed and what not.

The basis for the canal is a contract between the province of Bavaria and the Federal Government. We will seek a way out in negotiations with Bavaria. There is no question of breach of contract. I intend to present my ideas on the matter to the cabinet soon.

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CSO: 3103 / 259

SPD FOREIGN POLICY DRAWS CRITICISM FROM EUROPE'S SOCIALISTS

Hamburg DIE ZEIT in German 15 Jan 82 p 7

[Text] Bonn's foreign policy, while it still finds approval in its own country, is running into irritating criticism from some foreigners. Helmut Schmidt's lightning trip to Francois Mitterrand in Paris is symptomatic. In the SPD the fear is therefore growing that the Federal Republic might fall into the defensive in foreign policy, and the aversion to a German "special role" increases.

Perhaps the Federal Government might have been expected to defend its cautious position in the Polish crisis (which is very similar to that of the Vatican) against the U.S. charge that Bonn is only pursuing selfish trade interests. Helmut Schmidt finally defended himself in Washington against a hard line policy on Poland, which was noted with particular satisfaction in the SPD. But then a possibly more difficult task arose: How should the German attitude toward the drama in Poland be defended against French mistrust and reproaches of Bonn's half-heartedness? The Social Democrats noted with concern that not only the French press, but also the Socialist sister party, and reportedly even Francois Mitterrand in private, doubt the stability of the partner and its readiness for future defense efforts. No wonder that Helmut Schmidt, shocked, hurried to Paris.

Is Bonn therefore painting itself into a corner in foreign policy? The three "guarantee powers," in Helmut Schmidt's eyes, now stand shoulder to shoulder. This was the lesson of the Brussels NATO meeting. Because this is true, maneuver room for a German role and for the validation of its own interests, appears to disappear. The NATO Communiqué, dazzlingly prepared by U.S. Secretary of State Haig, revealed something. The Germans, aside from Greece, were alone in Brussels. The wisdom of the Brussels decisions met with skepticism on the part of Willy Brandt, for example. But basically his argument is the same as those in the government. It could not have gone otherwise. One could not rebuke a government, said the SPD chairman, if it strives "within the framework of reasonableness" to contribute to the most unified possible attitude of the Western alliance, for this is "intrinsically of greater value."

How did Bonn get into this situation? A tinge of isolationism could already be detected in the Socialist International, of which the chairman is Willy

Brandt. Open criticism of Brandt because he reacted too feebly or formalistically to the events in Poland, is quite unusual. This first explanation of the differences between the Social Democrats and the socialists of Europe is obviously becoming clear even to the SPD chairman: He would hardly assume, with the reaction of the Socialist International to Poland, which its Swedish secretary-general drafted, that he had made a clever political move.

There is also a second explanation for the differences among the European Social Democrats. As they have often before, the classic differences of opinion between North and South again display a gap. Here the very moderate Northerners (with the exception of Sweden) headed by the Finns, say out loud what many think privately in the Federal Republic: however understandable the protest movement in Poland, and however incompetent the Communist Party has been there, the Poles still overshot their target. Joop den Uyl from Holland or Michael Foot from Great Britain and the Northern Europeans--they were united in the attempt to save for Poland whatever could be saved of the reform policy and for themselves whatever there was to be saved in detente policy.

On the other side are the passionately argumentative Socialists from the South: headed by Portugal's missionary Mario Soares, whom some people in Bonn call a "huckster"; a bit moderate, but indignantly on the side of the freedom movement of Spain's Felipe Gonzalez; the most radical for the cause are the French and Italians with Bettino Craxi, who as a rule dedicates himself to a nuclear-free zone for Europe, but who now would like formally to declare the end of detente policy and even talk people out of the neutral gas deal.

Thirdly--the Socialist have become divided on internal political grounds. As Brandt replies, the lure for the French may be great to tame the communists in their own government with the birch rod of "Poland." And for the Italian politicians the attraction is perhaps even greater to steer the CPI into an arena which with its revisionist criticism of Moscow over the Polish development has nevertheless offered only a few points of attack.

Horst Ehmke is a good example of how the debate over Poland affects internal policy. He recently gave a speech on German foreign policy in the group of Italian Socialists, and afterward was subjected to many angry words. Ehmke had--from the German point of view--only explained self-evident facts and took seriously such Soviet concerns as losing "the Eastern European fortress in terms of security policy." He nevertheless also called to mind the responsibility of the forces of reform in Eastern Europe "to respect the conditions of the nuclear age if Europe is not to be reunited as an atomic cemetery."

Even more ticklish for the SPD will be a fourth explanation leading to division in the camp of the European Socialists. Obviously some neighbor parties are happy to take the opportunity to air their displeasure over the powerful German Social Democracy. Is it not continually parading its strength

before them? Did it not carelessly enough want to export its policy as a "model"? Now it is being rejected. Now the Socialists of France would like to provide the model--at least for Europe, if not beyond. In brief: under such conditions the Germans will soon become the scapegoat, as Brandt says.

There remains a fifth explanation for the discord among the Socialists, the most important: Mistrust of the Germans is growing in Europe. Not only the SPD detects it. Early on Francois Mitterrand asked Willy Brandt what in God's name Helmut Schmidt was really aiming at with his German-German conversations. Is he secretly aiming at reunification? Are there neutralist afterthoughts behind the Ostpolitik? Has not the giant peace movement, to the extent that Schmidt has moved toward it, fed such a suspicion? In Bonn they explain that the traditional French disquiet is being displayed which always crops up when the position of Bonn is apparently changing. In such situations the French easily "again become one of the victor powers."

Finally there is one last explanation of the Socialist conflict of views: the policy of detente is seemingly viewed in Europe from different perspectives. In Bonn they know that the Federal Republic has been "the greatest beneficiary of this policy." It was not a "German" policy, but it still has a national component. The Germans bore a special responsibility for detente in Europe. Bonn's goal was primarily not to promote a liberalization in Eastern Europe--or, as Francois Mitterrand demonstrated in a New Year's address, to shake the stability of Europe which has prevailed since Yalta. The Federal Republic wanted rather to undermine a stability which affected both German states and the Berlin tinderbox. Neither Washington nor the European neighbors pursued a similarly direct interest with the policy of detente. Such gaps in the understanding of detente are being displayed now.

With their understanding of Ostpolitik do the men in Bonn now support a lost cause? Helmut Schmidt does not want to waver in the cause. The policy will certainly be more difficult, but so far it has not yet been disproved.

6108
CSO: 3103/255

SPD SEEN LOSING GROUND IN BREMEN

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 27 Feb 82 p 4

[Article by Wolfgang Heyen: "'There Is No More SPD Climate in the Two-City State of Bremen'--CDU Chairman Neumann Considers the Possibility of a New Majority Structure in the Land Parliament"]

[Text] Bremen, 26 February--"The Koschnick monument no longer exists--Koschnick finds himself in the same situation as Helmut Schmidt: the majority of party boards makes resolutions contrary to his wishes." With this statement, Bremen CDU Chairman Bernd Neumann, in an interview with this newspaper, predicted a change in the political scene of the smallest Land. At that, Neumann admits that the federal chancellor often attacks the party's rank and file, while Koschnick "permits himself to be dragged along with the flow."

The occasion for these reflections by the CDU politician, who recently celebrated his 40th birthday, are the Landtag elections which will take place in four Laender this year, followed on 25 September 1983 by municipal elections in Bremen. Neumann's remarks are based on FRG-wide opinion polls and local ones in Bremen. But the Bremen opposition parties (CDU and FDP) must, from experience in previous elections, expect that possible SPD defeats or vote losses in Lower Saxony, Hamburg or Hesse this year would result in some sort of solidifying process among the already wavering SPD voters during the Bremen elections in 1983.

Not even the somewhat objective-minded Social Democrats dare contradict CDU Chairman Neumann when he speaks of the "gravest crisis of the post-war period confronting Bremen." Its features are unemployment far above the federal average and an unemployment structure which is caused much less by business trends than by the Bremen economy's lopsided enterprise structure. The economy in turn is characterized by having relatively few large enterprises, many of which, like the shipyards, are faced with considerable difficulties. "Even if business should improve," says Neumann, "Bremen will hardly profit from the boom." The Bremen Senat's policies which favor middle-class businesses have been a failure, he continues, whereby the negative political "climate," which makes itself felt way beyond Bremen itself, has been the decisive factor. Says Neumann: "Bremen is considered to be a Red bastion, and that just has a negative effect especially on small- and medium-sized businesses which would consider establishing themselves here."

In addition, the situation in the Bremen Land is known for the catastrophic conditions of its public budget. According to the most recent figures about the 1982 budget, Bremen's per capita debt will amount to DM 11,000 at the end of 1983, double the average of all the Laender combined. For the first time, paragraph 18 of the Land budget regulations will be formally violated; it provides that new debt must not be greater than the total of all investments. Bremen's investments will amount to about DM 517 million, considerably exceeded by new debts of DM 616 million. From this Neumann concludes that it constitutes clear proof of a failed financial policy. Now Bremen will have by far the lowest investment share in the budget: only 12.2 percent. This compares with 22.2 percent for Bavaria and 15.5 percent for Hamburg. Bremen's interest burden amounts to 11.9 percent of the budget; that of all other Laender lies far below 10 percent. Comments Neumann: "This is the result of Bremen's having lived far beyond its means."

For all that, Bremen's leader of the opposition does not want to expose himself to being accused of having nothing to offer but criticism. But in his opinion, a "radical change of course" is needed politically if Bremen's situation is to be brought back under control. In economic policy, he says, what is needed is an "offensive in favor of medium-sized business with all climatic and tax requirements." These economic policies must be accompanied by a "strict examination of public expenditures, with the objective of passing as many of them as possible on to private sources." Neumann feels that it would be inappropriate to cut support to existing private schools, which operate demonstrably more cheaply than state schools, and thus to threaten their very existence. This intention by the SPD, he says, is "a step entirely in the wrong direction"--as is an increase in tuition fees at Bremen public schools for students from the surrounding Lower Saxony region.

A comprehensive reorientation of Bremen politics, according to the CDU chairman, would require the "political courage for decreasing expenditures of public funds." In this context, he mentioned the newly established "equal rights agency" for women, which is controversial even within the SPD. In this connection, Neumann accuses the SPD of "making a strong effort to economize by eliminating jobs and funding," while "making no changes whatever in the tasks of the agencies concerned." Thus for example, the new procedures for social services, initiated by Social Services Senator Scherf, which originally provided for great numbers of personnel, is to be implemented with fewer personnel, though the original "reform" goals cannot possibly be reached in this manner.

In Neumann's opinion, Bremen would finally also have to bid goodbye to other "reform experiments" to avoid actual bankruptcy. A new "reform" of the higher education law which has already been adopted is, in Neumann's opinion, inadequate for repairing the damages which Bremen has incurred with its 10-year-old university. This onetime "reform university" must be made considerably smaller and reoriented in such a way that other federal Laender would once again participate in its funding. Neumann further demands an immediate end to the so-called integrative systems in education--meaning the continuation of enlarging huge schools which are still the legal basis for Bremen's educational policies.

Bremen's CDU chairman feels that a "new party landscape" is in the cards for the two-city state of Bremen. For the first time, he claims, it has been proven that "the SPD climate no longer exists in Bremen." That means, explains Neumann, that until the Bundestag elections of 1980 there was no question for many citizens of Bremen but to declare themselves publicly to be SPD voters. "Now it's the reverse--hardly anybody still dares to identify himself publicly with the SPD, even though he has voted for that party." At this moment, Neumann believes, Bremen's SPD has about the same election prospects as the Hamburg SPD, i.e., according to polls, 32 percent, down from 49.4 percent in 1979. "Never has the Bremen SPD had such a low level of support; if elections were held today, it would suffer a devastating election defeat."

In Neumann's opinion it is no longer impossible to visualize in the foreseeable future entirely new majority structures in the Land parliament on the Weser--a development which would have been considered impossible for several decades in view of historical realities. This trend could result in even the SPD and FDP being unable to gain a workable governmental majority (the "social-liberal" coalition broke up in Bremen in 1979 after 25 years of existence; since then the SPD, with Koschnick at its head, has governed alone.)

On the other hand, Neumann is enough of a realist to admit that Bremen's CDU cannot by itself "unconditionally" absorb all of the SPD's losses. "But Bremen's CDU has for the first time an opportunity to draw even with the SPD in the election results, which for this Land would be sensational," says Neumann. At this moment, he continues, there are fairly good indications that the "Greens" or the "Alternatives"--perhaps even both--could get into Bremen's municipal government. "That would mean that--in today's situation--the 1983 elections would be an open race between SPD and CDU," summarizes Neumann. "The last bastion of the SPD would thereby be lost. Certainly the election results would not be influenced to the same extent as in previous elections by Hans Koschnick; this is indicated by his decreasing popularity. Koschnick will not gain the stature of Wilhelm Kaisen in Bremen's political picture," predicts Neumann for his political adversary who has bested him for many years.

9273
CSO: 3103/294

FDP/SPD DISAGREEMENT ON ECONOMY SEEN AS CRACK IN COALITION

Hamburg DER SPIEGEL in German 22 Feb 82 pp 20-21

[Article: "Zero Problems"]

[Text] Hans-Dietrich Genscher has uncovered a possible crack in the social-liberal coalition: differences between FDP and SDP concerning taxation and the economy.

Party Chairman Willy Brandt and his deputy, Helmut Schmidt, are sitting together in the boss's office in Bonn's SPD headquarters. The meeting, last Tuesday, had been planned for several months; but the talk touches on the most urgent of today's problems--among them on Free Democrat Hans-Dietrich Genscher, who in several interviews last weekend had been speculating about a possible end to the coalition, as if that were an established fact.

Brandt's conclusion: the present situation proves to him that the top people of the two coalition parties had not been communicating sufficiently. Referring to Genscher's interview in the ARD "Report from Bonn," Brandt asks the chancellor: "Did you ever talk about the Friday matter?" Schmidt replies: "No;" after all, they would get together tomorrow in the cabinet session and at the coalition meeting.

But then, once again, nothing happened. In the coalition meeting, the gentlemen did not talk about the liberal crossfire, but merely checked off their weekly agenda item by item. Among the members of the government, Schmidt pretends that nothing has happened: 'We don't want to drag this into the cabinet. It wouldn't be appropriate.'

As far as the SPD leadership is concerned, everything is normal also. Last Monday, the leaders debated foreign policy at length and in depth. Suddenly one man rose who normally is one of the quiet ones: Henrich Junker, district chairman of East Westphalia-Lippe. Junker has just gone through a difficult party congress during which he was unsuccessful in winning a majority of the delegates over to the government's security and employment policies.

Junker had an outburst to the effect that he could no longer participate in this discussion; he could no longer put up with the fact that the party leadership was ignoring what was happening outside. He did not wish to cause a disturbance, but he was leaving.

As Junker was leaving the room, Brandt, Hans-Joachim Vogel, Johannes Rau, General Business Manager Peter Glotz and Hermann Heinemann of the Western Westphalia district ran after him: would Junker please refrain from throwing in the towel; he must stay in his job as a board member. The Westphalian let himself be convinced.

Last Tuesday, the German Sports Federation held a reception for its president, Willi Weyer, who celebrated his 65th birthday. Genscher eulogized the guest of honor, a former minister of the interior of North Rhine-Westphalia, as a shining example of how a liberal can manage to survive being in a coalition first with the CDU, then with the SPD.

Said the chief of the FPD: "Minister presidents and parties come and go," but Willi Weyer had remained because he had always represented the liberal position.

The above are three scenes from the everyday life of the 13-year-old coalition which is wearing thin. The periods during which the chancellor's fall from power seems unthinkable are growing ever shorter.

Schmidt's confidants figure, without certainty, that Genscher would hardly dare defect prior to the Lower Saxony Landtag elections of 21 March.

Since U.S. President Ronald Reagan is to participate in the NATO summit meeting in early June, Genscher would not want to be responsible for the absence of a functioning government in Bonn.

After all, the summer vacation will start shortly after that--"no one wants to dethrone a chancellor the day before Christmas; the people would not like that," says one of Schmidt's assistants.

The Free Democrats' massive rebukes of the Social Democrats have had their effect. The chancellor's people sense a new quality in those attacks; the threats of an end to the coalition must be taken "very seriously."

Genscher, who reproaches the colleagues who are grumbling about the employment program that they are "talking the coalition to death," is beating things to death himself; and other liberals are doing likewise.

Minister for Economics Otto Graf Lambsdorff complained in the RHEINISCHE POST that "from the human standpoint, we have been very shabbily treated." Whereupon delegate Juergen Moellemann thundered: "Unless a small miracle occurs it will be very difficult to keep the coalition alive."

Despite their public allegations to the contrary, the chancellor and the party leadership have long realized that with his interview campaign the FDP chairman has embarked upon a path leading to the end of the coalition: the economy is to be the final straw.

Says Genscher: "I believe we can see that there are great differences between the two government parties' basic principles for their economic and

social policies. That has been the case from the beginning, but so long as productivity could be guaranteed, this was covered up by the Social Democrats. Now the picture is becoming clearer and the SPD must realize that its economic policies can in our country no longer command a majority where they run counter to the economy. The Free Democratic Party refuses to provide such a majority to the Social Democrats against the dictates of its own conscience and the desires of its voters."

The Liberal has cleverly identified the location of the crack: unlike with security policy, he knows that on the subject of the economy he enjoys the support of both the left and the right wings of his party. And with a CDU/CSU coalition partner there would be no "zero problems."

Genscher has already decided where he will no longer make compromises with the SPD: to finance the employment program, he will only accept an increase in the value-added tax. He sees "no possibility of increasing any other kind of taxes."

With this statement, the Free Democrat has committed himself and leaves the decision to the Union. Should the Union persist in its "no" vote in the Bundesrat on an increase in the value-added tax and thus defeat the funding of the employment program, Genscher runs out of options. The option for increasing the oil-use tax, which does not require Bundesrat action, does not exist.

Bonn's government proposal would become law only if the Saar Land votes for it and if a member of the opposition defects, e.g., Lower Saxony's Ernst Albrecht. The Social Democrats figure that he might wish to avoid the risk of being the scapegoat in case the employment program is defeated--especially if after the 21 March elections he would be forced into a coalition with the FDP.

Bonn is unable to pay for investment support for the economy without increasing taxes. This would constitute the situation which 2 weeks ago Schmidt described as a possible endpoint of his reign: a defeat in fighting unemployment, says the chancellor, would be a better reason for a Social Democrat to resign than would be a party congress veto against the NATO twin resolution.

The extent to which Genscher and his followers are anxious to highlight their differences with the Social Democrats on economic principles was made clear by them in the cabinet week before last.

Routinely, Minister of Justice Juergen Schmude (SPD) proposed a law (recommended by the European Community) which would prescribe disclosure policies for such corporate entities as the GmbH & Co. KG. To the chancellor's surprise, the Liberals voted against it as a bloc: in an economy, they said, there must be room also for the type of enterprise which is preferred by the middle class specifically because of limited disclosure requirements.

Countered Schmidt: "The economy requires a certain amount of visibility." But the three FDP politicians present, Genscher, Lambsdorff and Stae

Secretary of Agriculture Gallus, remained unmoved. An adversary vote was taken. The proposal passed against the dissenting votes--an event which in the history of social-liberal cooperation has so far occurred most infrequently. The Liberals registered their veto publicly, via the FRANKFURTER ALLGEMEINE.

The Social Democrats are alarmed by other signs too: they believe to have grounds for thinking that Genscher is getting ready to undermine the chancellor's popularity and thus to eliminate the principal obstacle to leaving the coalition. They have heard talk to the effect that the vice-chancellor was fed up with serving under the domineering Helmut Schmidt; that while he was firmly committed to the coalition, he wishes there were another head of government.

The comrades are interpreting some remarks by Deputy FDP Fraction Chairman Hans-Guenter Hoppe as leading in the same direction. In conversation with leading Social Democrats, the Free Democratic warned against the misapprehension that in their coalition with the SPD the Liberals are tied to Helmut Schmidt's being the chancellor. The Socialists mistrust such declarations of coalition loyalty and suspect that this sort of talk only serves the purpose of knocking the chancellor.

The chancellor himself has of course an entirely different idea about his market value. As Schmidt put it last week, if he were to leave office, "the SPD would drop to a 15 percent share of the electorate. And then it would take another 20-25 years before the Social Democrats could have another crack at it."

9273
CSO: 3103/293

SPD, FDP FACTIONS DISAGREE ON INF, ECONOMIC POLICY

Zurich NEUE ZUERCHER ZEITUNG in German 17 Feb 82 p 1

[Article by R.M.: "Growing Confusion Within Bonn Coalition"]

[Text] The Bonn coalition parties are increasingly inclined to masochism. There is scarcely any other way to explain the hopeless confusion of internal policy fights, mutual threats and hasty appeasement efforts that prominent and less than prominent figures in the SPD and FDP have imposed upon the public over the past few days. Anyone who thought that the unanimous vote of confidence that the two coalition factions extended federal Chancellor Schmidt only a week ago would have halted the process of decay at least for the moment and perhaps have given the government some new impulse, soon learned differently.

The impact of Schmidt's unusual courage management of the parliamentary vote of confidence was wiped out practically the next day by new challenges from his own ranks. Now more than ever before the Bonn coalition presents a spectacle of hopeless divisiveness. The decisive factor in this grotesque confusion is the circumstance that the lines of confrontation are not drawn between the two parties but that in both the SPD and more recently, within the FDP, the various party wings are publicly engaged in a ruthless struggle for power with no thought for their losses.

It is remarkable that FDP leader Genscher only this weekend added fuel to the fire of general distrust and lost confidence when, in what were evidently quite deliberate statements, threatened to break off the coalition if the SPD's faultfinding with certain sections of the employment program that had been painstakingly worked out by the cabinet did not cease. Genscher added ominously that from the differences of opinion respecting the planned liberalization of the rent and tenancy laws it was becoming clear "that the two government parties are basically at odds in their fundamental economic and social philosophies." Genscher's dramatic threat of a breakoff of the coalition, aimed at the SPD, would, to be sure, have been more credible if he could demonstrate that he had the FDP solidly behind him on this issue. Yet this basic requirement appears to be anything but certain after the failure of the party chairman's efforts at making such a switch during the heated budget cut discussions of last fall.

On the contrary, even in the FDP the signs of dissent are becoming more evident between Genscher's pragmatic line and the party's left wing, which wants to prevent under any circumstances an approach to the conservative CDU/CSU.

Symptomatic of this trend is a major congress of the FDP's left wing, scheduled to be held at Cologne in late February under the direction of William Borm, a member of the party's executive council; the conference will agitate against the NATO double decision and call for a thoroughgoing stocktaking of the left-liberal "Freiburg Theses." Genscher and his closest associates view this congress with understandable misgivings. A number of FDP deputies have announced their intention of participating--some of them, to be sure, in an effort to prevent the worst from happening. Further indications of heightened tension within the small coalition party are the surprising resolution of the usually moderate Baden-Wuerttemberg executive council calling for the creation of a nuclear weapon-free zone in Europe as well as the decision of the Hamburg Young Democrats (Judos) to disaffiliate themselves from the parent party.

When compared with conditions within the SPD, however, Genscher's problems in the FDP seem almost idyllic. Since the parliamentary vote of confidence, it appears that the middle and lower level cadres of party functionaries--who lay very doubtful claims to representing the "rank and file"--are even more wildly determined than ever to stab the head of government in the back. As early as the weekend after the vote of confidence in the Bundestag, no less than three SPD regional party congresses demanded either the nullification or at least the modification of the NATO double decision, for the maintenance of which Schmidt almost a year ago put his political career on the line. It was only at the Westphalian SPD congress that Willy Brandt barely succeeded in getting the chancellor's policies accepted.

Things were even more rebellious Sunday at the regional party congress of the small East Westphalian SPD in Paderborn. Here a majority of the delegates voted not only to refuse the stationing of new U.S. medium range missiles in Europe, but were just as uncompromising in refusing to accept the government's employment program package as being too friendly to the CDU and FDP. The real cause of the economic crisis in West Germany, the East Westphalian SPD comrades stated in a majority resolution, was "the capitalist economic order." For this reason there had to be an effort "to break with capitalism by stages" through "nationalization of key industries." Apparently the progressive theoreticians have never had a closer look at Eastern Europe, where these postulates have been a reality for decades. A number of commentators remarked that Federal Chancellor Schmidt can thank his luck that bad weather on Sunday prevented his traveling to Paderborn and so did not have to listen to the rantings of the radical "rank and file functionaries."

These local political events would not merit further notice if they were not symptomatic of a trend that has been taking on a more or less clear pattern in recent months at a number of regional SPD congresses. Schmidt's efforts to win support for his policies by his personal appearances before the delegates have sometimes ended with open failure. Even now there does not seem at SPD headquarters to be complete conviction that they can succeed at next April's Munich national party congress in getting the NATO double decision motion--which boils down to a postponement of a definitive resolution--accepted. Eppler, with what seems to be an almost diabolically destructive

urge, has already announced that he will support a moratorium on medium-range missiles at Munich which equates the unlimited status quo sought by Brezhnev and at the same time would torpedo the sense of the NATO double decision.

If the standpoint of Eppler and his followers should gain a majority, then Schmidt would have to stick to his promised threat and resign the position of chancellor. It would also mean the end of the 13-year-long government alliance between the SPD and the FDP. As things look today, one could easily gain the impression that there are numerous activists in both parties whose single aim is to bring this about as soon as possible with their palavering.

9878

CSO: 3103/269

LOCAL SPD STANDS ON NATO DUAL DECISION NOTED

Bonn DIE WELT in German 10 Feb 82 p 3

[Text] According to government spokesman Becker, the chancellor is concentrating all his efforts to win the SPD over to the security and defense policy that he is following together with the coalition partner, the FDP. He added that the decisions of regional SPD party meetings are not decisive for Helmut Schmidt. Decisive is still what the SPD national party meeting in Munich in April decided on security policy and particularly on the NATO double decision.

The county and regional party meetings decided as follows:

Lower Rhine: A majority of the delegates, against an urgent appeal from the chancellor himself and from the North Rhine-Wesphalian social minister, Friedhelm Farthmann, passed the demand for "agreement on a moratorium" that "would stop the location of Pershing 2 and Cruise Missiles in Western Europe, and the stationing of further SS 20's in Eastern Europe during the lifetime of the negotiations." Furthermore, Bonn "should complete the immediate stop of preparations for stationing middle-range missiles in the Federal Republic."

East Bavaria: The delegates demanded the abrogation of the NATO double decision on the stationing of new American middle-range weapons in West Europe, and, in spite of the warning by Federal Executive Leader Peter Glotz, they demanded the elimination of the whole NATO double decision.

Western Westphalia: The strongest SPD area with 137,000 members held to the party leadership line, but to be sure only after an insistent warning by Party Chairman Brandt. The delegates changed a passage in a motion that otherwise would also have been for the demand for a general moratorium on the armament with middle-range weapons, regardless of the result of the Geneva negotiations between the United States and the Soviet Union.

Palatinate: The majority of the delegates demanded a moratorium in the sense that during the Geneva negotiations no new American middle-range weapons would be installed and no preparations for their positioning be made.

Hamburg: The Bundeskanzler argued several hours in his own regional organization for his defense policy. Defense Minister Apel gave him strong support. Nevertheless, the delegates passed a motion with the passage: "During the negotiations no stationing of new short- and middle-range missiles is permitted."

They also demanded: "...The goal of all negotiations on nuclear weapons must be their complete removal. An important step on this path is a nuclear-free zone for Europe...."

Bavaria: At a special party meeting, a resolution for "leaving" the NATO double decision had no chance. But the interest of the delegates in a moratorium was great, nevertheless. They decided that priority should be given to negotiations on a moratorium that "prevented an imbalance in the area of middle-range weapons from growing during the conference, so that this imbalance would not seriously threaten a zero solution." Beyond this, the Bavarian delegates also demanded that infrastructure measures preparing the stationing not be carried out during the course of the negotiations.

Franconia: After urgent appeals by the Bundeskanzler, the Franconian Social Democrats rejected the removal of the NATO double decision. They demanded that if the Geneva negotiations failed, the decision on the stationing of new American middle-range weapons be decided at a national party meeting.

Middle Rhine: The delegates decided to wait for the Geneva negotiations and to check their results at the national party meeting in the fall of 1983. Otherwise, they still spoke, against the opposition of leading Social Democrats Wischnewski and Ehmke, for a yearly reduction of the Western defense budget of 5 percent "for a limited time in the expectation that the Warsaw Pact countries would for their party undertake corresponding reductions."

Bremen: Schmidt had strong arguments with the delegates when he spoke for the Federal Government's defense policy. The regional party meeting finally demanded unanimously the prevention of the stationing of nuclear middle-range missiles in Central Europe and the removal of the installation of SS-20 missiles in Eastern Europe. In addition, the Federal Republic should receive veto rights on the stationing and the initial use of nuclear weapons on its territory. The chancellor said to the delegates: "Whoever wants to eliminate the second half of the NATO double decision must do so without me." As early as the spring of 1981, in speaking to the Bavarian Social Democrats in Wolfratshausen, Schmidt had threatened to resign if the SPD should retreat from the NATO joint resolution.

9124
CSO: 3103/274

HESSE GREENS ANNOUNCE ECONOMIC POLICY

Bonn DIE WELT in German 8 Feb 82 p 5

[Text] The Hesse Greens have expressed themselves in favor of a "change in property ownership of capital and the means of production." In a national program passed by a national meeting of the party over the weekend in Frankfurt, they demanded the "transfer of key industries and leading administrative and banking firms to democratically controlled common ownership."

There was great controversy on the detailed formulation of this program for WIRTSCHAFT UND ARBEIT at the meeting. In an amendment that was finally passed, it was stated that "private or state monopolies that make the individual into a little wheel in a centralistic operation--mark of the Western profit and the Eastern plan economy--are not compatible with an ecologically oriented economy." Here, they said, "new forms of free, nongovernmental, self-administered operational rights" must be developed.

Along with the breakup of large concerns, self-government in the operation, and the creation of economic and social councils, the program contains the renunciation of large economic projects such as the west runway, block C of the Biblis nuclear plant, and the Ernstbach dam. New business districts in thickly populated areas, as well as new express highways are rejected in principle. Instead of this, the government should encourage the establishment of self-operated concerns that are favorable to the environment, as well as "alternative concerns founded by unemployed people."

The Hesse Greens want to finance their social model with a progressive income tax, the appropriate use of the existing tax laws, the application of modern technology, removal of "throw-away and armament production" of unemployment and of the bureaucratic structure, as well as introduction of a strict policy of making those who have caused pollution clean it up. Besides this, they hope for "enormous" savings in the area of health as soon as the environment has been improved according to their ideas. At the same time, the Greens declared themselves against any coalition.

The President of the Cabinet Council, Holger Boerner, is counting on a victory of the SPD in the regional elections in September. Yesterday on the "Deutschland" radio he said that the Greens would "atomize" themselves even before the elections. At the same time, he confirmed that the controversial runway at the Frankfurt airport would be ready by the main vacation time in 1984.

9124
CSO: 3103/273

DISPUTES ON JOB CREATION PROGRAM CONTINUE IN COALITION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 15 Feb 82 pp 1, 2

[Article by fy.]

[Text] The massive warnings which the FDP chairman Genscher issued to the Social Democrats a week after the joint vote of confidence of both coalition fractions in support of the chancellor have again evoked the question in Bonn of the future of the government coalition. In two conferences on radio and television Genscher linked his warning not to talk the government's job creation program to death with another warning that the coalition could be destroyed by such a development.

Genscher stressed very clearly the differences of philosophy held by both parties with respect to economic and social policy to make it clear that the FDP would not help the SPD's concepts gain a majority if they did not conform to the idea of free enterprise. He also stressed that he would not accept a financing of the employment program by other tax increases, if the Union parties should succeed in blocking an increase in the value-added tax. "I see no way of escaping an increase in the value-added tax by raising other taxes," Genscher stated and added that this was his last word. With respect to the SPD's "niggling" at that portion of the employment program that is aimed at a liberalization of rental and tenancy laws, the FDP chairman said, "I believe that it is clear at this point that the two government parties differ widely in their basic economic and social philosophies. That has always been the case..., but it is now becoming clearer and the SPD simply must recognize that their economic concepts are not capable of gaining majority in our country when they depart from the values of free enterprise and the Free Democratic Party is not willing to abandon its convictions and the mandate of its voters to create such a majority for the Social Democrats." The FDP attaches great importance to the employment program's being enacted into law in the form already agreed upon. "I must repeat that anyone who will talk this program to death is also talking jobs to death, moreover he is also inviting the danger of the coalition being talked to death," Genscher said, adding that a renewed discussion would bring about "the limits of the FDP's readiness to compromise."

Genscher's statements set off a broad range of responses, most striking among them the contradiction that was implied in the response of FDP party whip

Mischnick. Mischnick said that he could see no reasons for alarm, saying that he felt the SPD would abide by the coalition's resolutions. He also had no doubt that the SPD was fully in support of free enterprise. The responses of SPD spokesman Clement as well as those of other prominent Social Democrats evidenced their concern not to lend more weight to the dramatic effects of Genscher's remarks.

Genscher is correct, said Clement, when he states that it makes no sense at this time for the members of the coalition to be talking against and around each other. There was also no cause "for irritations of any kind." The SPD assumes that there will be close agreement between Schmidt and Genscher on the attainment of the employment program. The SPD spokesman pointed to statements of party chairman Brandt as well as his deputy Wischnewski. Brandt, in a newspaper article, urged the coalition partner to take issue with the actions of the CDU and to try to urge them to concessions and the abandonment of their "no" on the question of an increase in the value-added tax. Wischnewski's remarks had much the same tone. Even though the employment program did not contain everything that the SPD had wanted, it was a fact that the party was not going to rob the program of its merits by "public niggling." Nonetheless Wischnewski expressly stated that changes were possible before the program would be enacted into law. If a parliamentary democracy is to keep its meaning, he wrote, then changes in the program "by elected representatives of the people cannot be done away with by threats of any kind." Without himself offering any solutions in the event that an increase in the value-added tax cannot achieve a majority, he gave assurances that the SPD would do everything in its power to prevent the Union parties' proposals for cuts in the program from being passed. The SPD parliamentary manager, Jahn, said that his fraction would stick by the liberalization of the laws on rent and tenancy worked out with the FDP. But the party still felt it necessary to review the effects of these changes after 2 years. In saying so he referred to a statement to that effect by Minister for Housing Haack, which last weekend had been the occasion for a sharp reaction by the FDP.

The hope expressed by Minister of Labor Ehrenberg this weekend, that Lower Saxony and the Saarland might abandon the Union front in the Bundesrat and offer their support to gain the required majority for the value-added tax increase, because both states urgently need their share of the additional revenue to help them in their present financial distress, has not found any response to date from CDU political leaders. The minister president of Lower Saxony, Albrecht, on the contrary, reassured his "no" to the question of an increase in the value-added tax.

The government of Lower Saxony would let the employment program pass in the upper house, even though it was not sufficient to halt the growth of unemployment, Albrecht said. On the other hand, he would stick by his "no" to an increase in the value-added tax. This would only lead to thousands more people losing their jobs and impose an unfair burden on the entire population, especially those with low incomes. It would be better, he said, to spur the economy by reducing interest rates rather than by increasing taxes. A reduction of interest rates by 4 percent would bring an additional 21 billion marks a year into the German economy that could be made available for investment.

POLITICAL

FEDERAL REPUBLIC OF GERMANY

BRIEFS

GREENS OPPOSE NEW PARTY--In the opinion of the Greens, a new party to the left of the SPD would be completely inappropriate, its "end would already be pre-programmed." With this declaration the national committee of the Greens took a stand Monday on the reports about the possibly pending foundation of a "Democratic Socialist Party" by Bundestag representatives Karl-Heinz Hansen and Manfred Coppik. Ernst Hoplitschek of the Green's national executive committee in Berlin said that the manner of preparation betrays distinct traces of a "foundation from above." Hoplitschek said that the process contradicted the "democratic basis culture" of the Greens, who rely on a real, social and ecological movement. It could only be in the interest of a few leading SPD strategists in order inwardly to strengthen the so-called canal worker faction and outwardly to weaken the "oppositional emancipation movement" in the Federal Republic. All dissatisfied Social Democrats should therefore discuss common and differing goals on a better basis with the Greens. [Text] [Frankfurt/Main FRANKFURTER RUNDSCHAU in German 26 Jan 82 p 1] 9124

GREENS REJECT SCHUBART--The Frankfurt 'Greens' have had a falling out with spokesman Schubart of the Labor Federation Against West Runway Construction. During a membership meeting they decided almost unanimously to revoke Schubart's nomination as the Greens' candidate for election district 38 (north-west). In addition, they will no longer maintain their proposal of naming Schubart to an "open" Land electoral list. Schubart's rejection as a candidate for the Landtag elections was caused by divergent opinions about the Greens' intention to abstain from "exclusively claiming the citizens' initiative movement for themselves." [Text] [Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Feb 82 p 5] 9273

CSO: 3103/287

PCF POWER INCREASE VIA CIVIL SERVICE, UNIVERSITIES SEEN

Paris L'EXPANSION in French 5-18 Feb 82 pp 95, 97

[Article by Jean-Marie Domenach: "Eminence and Servitude of the PCF"]

[Text] The French Communist Party is holding its 24th congress in a paradoxical situation. In 40 years it has never experienced such isolation: Afghanistan and now Poland alienate it from public sympathy. For a party which portrays itself as a workers' party, it is hard to support a system which prohibits trade unions and sends strike agitators to prison. Isolated in France, it is also isolated in Europe, for the Spanish and Italian Communist parties have broken with "Soviet worship" and are moving toward establishment of a new Internationale, a decisive development which our press has failed to appreciate. Our communists appear to be ashamed: rejected by the intelligentsia, and opposed in many efforts, they are "crashing." We see them everywhere, as ministers, and on television, where they display a serene easiness while prominent Socialists award them certificates for a good and moral life. In a political world where the equivocal reigns supreme, this major PCF move to the sidelines leaves reporters and political pundits flabbergasted.

The first enigma: Is the PCF in decline or ascendancy? The election results indicate: in decline. Yes, but the question arises: Is this episodic or structural, temporary or lasting? President Giscard d'Estaing had predicted that the higher standard of living and relaxation of attitudes would inexorably reduce the communist influence. Or rather should we conclude that the Socialist Party, by radicalizing itself, has won over voters from the communists? Both reasons are probably valid. However, if indeed there is a decline, how can we explain why there is so much concern about the PCF and why the opposition is calling loudly for the Communist ministers to leave the government?

The reason is that for the PCF a loss in votes does not mean a loss of power. This truth, which the party itself has so often proclaimed, is often forgotten: The Communist Party is not like other parties; it is an organism like an amoeba, capable of encysting and later changing from a defensive state to a mobile and aggressive one. Remember 1939: After the German-Soviet pact, which it approved, the PCF, suppressed and discredited, almost disappeared; yet 4 years later it came within a hair of taking control of the National Resistance Council.

The mayoralities won in 1977 through the Union of the Left enabled the party to install a large number of more or less camouflaged officials. The ministries it held gave it similar advantages, particularly welcome in a period of unemployment. The Socialist Party's policy ("I embrace my opponent, but for the purpose of suffocating him"), though it weakened the electoral following of the Communist Party, strengthened its apparatus and capability for action. Despite the disapproval of its attitude on the Polish question, the PCF is in the process of extending its influence in the university and in research. Indeed, it is noteworthy that the Socialist victory has served to increase the depoliticization: In such a climate only a few militants, a few officials, are enough to "keep hold of an institution." The CGT, which gets its orders from the PCF, is expanding its influence even as it loses members and votes. The Socialist Party, by promoting "syndicalocracy," has yielded to the CGT some key posts from which, one of these days, a counteroffensive will be launched.

There remains the final enigma: Why is the French Communist Party, along with the Portuguese Communist Party, the last in free Europe to pay allegiance to the USSR? Even the most competent come up with inadequate replies. In his documented and straightforward study, Georges Lavau* offers two hypotheses, which add up to one: The PCF wanted to present to its members an image of having been forged by struggle; to have broken with the USSR would have been to open the doors to heresy. But why don't these arguments apply to Italy and Spain? The real reason must therefore be sought in more obscure realms: Georges Marchais has neither the forthrightness nor the prestige of Enrico Berlinguer and Santiago Carrillo; To prevail, he needs to lean on the big fraternal party.

The cooperation between the Socialist Party and the Communist Party rests on a voluntary mutual blindness. This is an achievement which realists are wont to praise. Others, including myself, contend with Solzhenitsyn that the underlying cause for communism's advance in the world is "the spiritual weakness of the West"--a weakness which makes more serious the ruses and compromises. It is true that communists are often among the most zealous and courageous, however the system they serve has given adequate proof of its harmful nature. To continue flirting with it after what has happened in Poland is to lay oneself open, one day or another, to rape.

*Georges Lavau: "What Is the Purpose of the French Communist Party?" (Fayard)

9920
CSO: 3100/353

PAPER CITES EVIDENCE OF SORSA'S POLITICAL SKILL

PM181143 Helsinki HUFVUDSTADSBLADET in Swedish 14 Feb 82 p 2

[Editorial by Jan-Magnus Jansson: "Sorsa Seizes Power"]

[Text] There is every chance that the strong man in Koivisto's republic will be called Kalevi Sorsa, we wrote in a comment on the new president. It is difficult to imagine better confirmation of this prediction than the way in which he has handled the first government negotiations after the power handover.

Sorsa is a party man through and through with the intellectual's guardedness and ability to keep a distance between himself and others. For this reason he enjoys a stable unpopularity in many places outside his own party. But no one could deny that he is a skillful politician--perhaps the most skillful we have, if we take the view that at present Johannes Violainen stands above the party political wheeling and dealing. Sorsa's intellectual capacity and his toughness in negotiations are his trump cards. He made rich use of them in the phase of government formation which has now ended.

Even though Sorsa did not get the post that he had frankly admitted that he was most interested in--that of foreign minister--he did get his way on all other important points and carried out his mission quickly. A contributory factor here was that he was able to count on what was, in practice, carte blanche from the republic's president. Sorsa was even able to brandish the threat of the dissolution of the Eduskunta--and this, moreover, at a surprisingly early stage in the negotiations, bearing in mind that this is generally the ultimate weapon in parliamentary politics.

The post of foreign minister was at the center of the disagreements the whole time. After the change in the presidency it could become more important than it has been in the past. It was quite rightly expected that Sorsa would want it. There is not only the fact that his competence for the post is indisputable. Sorsa has also learnt that Kekkonen and, indirectly, the Center Party were in fact in possession of the keys to Finnish politics as a whole through their dominance of foreign policy. And what the Social Democratic Party is chiefly striving for today is to take over these keys.

It is just as easy to understand why Vayrynen wanted to hold on to the post. The Center Party's power has rapidly been eroded, bit by bit, since Kekkonen was

forced to retire from the leadership of the country. Vayrynen's own behavior in certain situations has hardly helped matters, although it is impossible to deny that he had a clear insight into what was at stake. He saw the post of foreign minister as the last bastion of the Center Party's power over Finland's foreign relations. Hence the hard fighting and the enormous bitterness.

The solution was, as Sorsa arranged things, that the post should come to rest halfway, with the Swedish People's Party. In itself such a solution is in line with the Swedish People's Party's reputation for being a party which can offer compromise solutions. The drawback--as the prime minister-designate is bound to have worked out for himself--is that this settlement muddies relations between the Center Party and the Swedish People's Party.

One thing which the prime minister-designate has said openly is that he wants to have some control over foreign policy himself. He could for instance do this by "collectivizing" the most important foreign policy decisions in his role as chairman of the government's Foreign Policy Committee. All important appointments in the foreign service are discussed in cabinet and are finally passed on to the republic's president for his approval, and this makes it unlikely that it will be possible to sidestep Sorsa's views. However, Sorsa is certain to meet with some degree of independence from the foreign minister-designate.

Despite the fact that the prime minister-designate can be satisfied with his efficient solution to the problems, the question is whether he did not proceed a little too brusquely in the longer-term perspective. It would probably have been wise to allow Vayrynen to keep his post at present and not immediately demonstrate a desire to smoke him and his party out. Even Center Party people who are not supporters of Vayrynen will probably react negatively to the downgrading of their party. The bitterness will be long lasting.

But the Center Party also behaved stupidly when it persisted for too long in refusing the premiership. Despite all the drawbacks it would have given the party a different status from its present one, in which it clearly seems to be a total loser which has bowed to the prime minister-designate's "dictates" and their underlying threat of the dissolution of the Eduskunta.

Perhaps it is too early to say that the new republic's first government crisis has been brought to a close. The Center Party is threatening that its delegation will fight back. Certainly, harsh words will be uttered at the delegation's meeting. But it is also possible that it will give way in the face of the threat of dissolution. And in addition there are the many government posts, which, if they are distributed well, will silence many opponents.

The new regime's first government crisis leaves an unpleasant taste in the mouth. Even though Sorsa went about things carefully in many respects--he did not, for instance, call for changes in the government's numerical power structure--the overwhelming impression is that we have been given advance warning of the arrogance which will develop if the next Eduskunta election goes well for the Social Democrats. Kicking your rival's shins when you get the chance can indeed be fun, but it is hardly good politics. We can say what we like about Vayrynen, but he is nevertheless the [Center] Party chairman and the fact that he is now leaving

the government feels like a portent of greater changes. It is possible, in a way, to describe the Center Party as a party on the slide out into opposition, despite the fact that it has left behind a strong guard to look after the party's direct interests in the government.

If, finally, we want to point to something positive, then we can note that in his previous administrations Sorsa has proved to be an effective government head. At least the dribbling hither and thither is now over. Sorsa's second government has a firm place in our history as the government which, through its decisions, laid the foundations for the economic revival in the years which followed. This example also places an obligation on the government which will undoubtedly now be formed.

CSO: 3109/112

BILL WOULD APPOINT SECURITY-AFFAIRS EXPERT IN MINISTRY

Reykjavik MORGUNBLADID in Icelandic 10 Feb 82 p 3

[Text] Fridrik Sophusson spoke yesterday in the Althing to promote for discussion a bill which he is proposing jointly with Benedikt Grondal and Johannes Einvardsson. It concerns the appointment of a new government security and defense representative in the Foreign Ministry.

In his speech, Fridrik Sophusson said that the MP's presenting the bill were unsure how it would be organized within the ministry. It could fall directly under the authority of the foreign minister, like the Defense Issues Committee, or be made a position within the Defense Issues Committee.

The purpose of this position would be to supervise from within the Foreign Ministry negotiations between NATO and the Defense Force in the area of military and security matters. It would involve, of course, fuller cooperation with other political powers who also deal with these matters, and be the defense representative consultant to the government concerning everything which involves the national security and defense of Iceland.

The MP said further that the Icelanders occupy a special position in defense matters because of location and the small size of our nation. It is, therefore, high time that the Icelanders have their own specialists in these issues, noted Fridrik Sophusson.

In his speech Fridrik Sophusson reminded his audience that the People's Alliance continues to deemphasize those elements of party policy which speak out against membership in NATO and the stationing of a Defense Force here. The People's Alliance does not bring the policy up very often, except before elections, the MP said, when the party needs the support of the so-called antioccupationists; or on festive occasions in holiday seasons.

9584

CSO: 3/11/26

TWO PCI COUNCIL MEMBERS IN CATANIA RESIGN

Palermo GIORNALE DI SICILIA in Italian 7 Feb 82 p 17

[Text] Catania—Another dramatic scene at the Catania city council meeting. Two Communist members, Lorenzo Catania and Lugia Guglielmino, resigned from the Party and from the Communist advisory group. It's big news if you think that only recently, two city council members resigned from the Socialist Party.

The two Communist members sent a letter to headquarters at 19 Carbone Street explaining their decision. The two Communist council members maintain that party leaders have transformed the democratic centralism into an often arrogant centralism. The ambiguous policies of the PCI, disorienting the masses with "historic compromise," "national solidarity," and "third way," have separated the people more and more from the party. Added to this is the behaviour at the recent Communist Party regional congress.

The two members maintain that some groups, though there are no official party platforms, have formed a coalition to push out certain leaders from the province of Catania. The two members say, moreover, that at the provincial congress, while theoretical themes were being discussed, groups and sub-groups thrashed out agreements with the aim of recouping the defeats sustained in Palermo, thus giving life to a custom that has never been part of the tradition of the Communist Party.

The two council members conclude their letter affirming that they can no longer see themselves in such a party, thus they resign, though they still commit themselves to carrying on the struggle for socialism in the city council.

These resignations cause even further a change in form of the Catania City Council. The Communist Party has, as a result, only six council members. Catania and Guglielmino, at least for now, will continue to be Independents of the Left, perhaps waiting to go over to the Socialist Party, which would thus again have the old number of council members which had itself been reduced by the resignations of Arcerito and Bonaccorso. At present, anyway, there are four Independents of the Left.

If we add this to the fact that the Christian Democrat group is divided by internal squabbling, that the Social Democrats have the problem of place-switching between LoTurco and Sangiorgio, and that surprises could come from the Republicans as well at the regional congress, we can see that the Catania City Council is difficult to govern.

Meanwhile, the Christian Democrats' congressional phase begins tomorrow, starting at 9:00 with meetings held in all 44 sections to elect the 40 members of the new city committee.

POLITICAL

NORWAY

BRIEFS

STRAY BACKS U.S. CARIBBEAN PLAN--Norway welcomes the new U.S. economic aid program for the countries of the Caribbean area which President Reagan recently presented at a meeting of the OAS. In a commentary to Norsk Telegram Byraa Norwegian Foreign Minister Svenn Stray said that Norway is following with great interest the plans which the United States, Canada, Mexico and Venezuela have for increased economic aid to countries in this area, and that Norway values the U.S. role in this context. "We welcome the involvement of which President Reagan's speech is a concrete expression. Initiatives of this sort could be of great importance for the promotion of stability and political calm in the area, and these in their turn are prerequisites for a favorable social and economic trend," Stray commented. [Text] [PM0307509 Oslo AFTENPOSTEN in Norwegian 27 Feb 82 p 9]

CSO: 3108/72

PCE CENTRAL COMMITTEE SURVEYS NATIONAL SCENE

Madrid MUNDO OBRERO in Spanish 12-18 Feb 82 pp 5-12

[Article: "Report to the Central Committee Plenum: To Prevent the Country's Becoming Rightist"]

[Text] Last week, the PCE [Spanish Communist Party] Central Committee held a plenum which was devoted entirely to the analysis of the political situation and the party's tasks. The Executive Committee's report, which we are reprinting in its entirety below, was submitted by Santiago Carrillo, and the floor was taken 27 times to debate it. It was subsequently approved with only one negative vote. Also submitted for the plenum's consideration was a resolution for solidarity with the struggle of the Salvadoran people, of which we have reprinted an excerpt in this issue, and which was passed unanimously.

Are we in an election year? All appearances seem to indicate it. However, still waters run deep: we might be in a year wherein the democratic transition touches bottom. While certain parties have assumed a position of going out in search of votes, some troublesome unknown factors have arisen in national life the outcome of which we do not know.

What will happen at the 23 February trial of the insurrectionists? What will be the final formulation of the autonomous process? Will the ANE [National Accord on Employment] be fulfilled? Will an economic and social policy including unemployment be implemented? Will the tragedy of the colza oil ever be explained, specifying those responsible and creating an effective health policy? Will there ever be a curb on the constant rise in the cost of living? How will our universities operate? Will the deficiencies that exist in education and culture, while tens of thousands of university graduates are unemployed, ever be remedied? Will we ever have a stable, strong parliamentary government?

These are a few of the great unknown factors intervening between the reality and the electoral forecasts in which some of this country's political leaders are engaged.

Threat of Dissolution of the Cortes

We recently observed the head of government threatening to dissolve the Cortes if the dispersion of UCD [Democratic Center Union] deputies continued. No one except the Communist Party has responded to Leopoldo Calvo-Sotelo's attempt to make the

stability of the parliamentary institution depend on his own stability as head of government. Is there, perchance, no possibility in that Chamber other than the Calvo-Sotelo one-color government? Must all of us, including the opposition, back the current president so that the electoral periods set by the Constitution will be implemented?

It should be remembered that there was already an early dissolution, that of the Constituent organs, which we criticized strongly, and which also resulted from the former president's desire to maintain a one-color government. And the early elections did not solve anything, but rather heightened the instability of the political system and, hence, that of the democratic institutions.

Could a repetition of the same ploy be tolerated now?

It is true that the Constitution affords the head of government the opportunity to dissolve the Cortes; but that is a power to be used very cautiously during a transition period as complex as ours, particularly after the results of the previous experience. To dissolve in advance now would be a dreadful mistake, which would jeopardize democracy.

Coinciding with Calvo-Sotelo's warning, there circulated in political circles the rumor that some UCD ministers considered the only recourse for their party to be holding elections under the threat of fear, keeping the 23-F trial as a sword of Damocles that would force the popular vote onto the side of the right.

If this were to happen, it would be a political scandal of enormous magnitude, which might mark the beginning of the end of the so-called "reform", starting a period of uncertainty regarding the future of Spain and of the institutions which we Spaniards have adopted in a process of peaceful, democratic change.

But, on the other hand, we cannot fail to recognize that, whatever the results of the trial may be, it is most likely that the verdicts will be appealed, on one side or the other, and that the trial will continue to hang over national life for a certain amount of time. This is another reason for holding the general elections in the period set by the Constitution, and not earlier, either in the spring or the fall.

Therefore, the concern of truly responsible political leaders should be not so much one of consulting the oracle of the electoral polls every morning, as one of seeking to insure the stability of the government and of Parliament between now and March 1983.

That stability would require, in the first place, the existence of a firm, solid government, with extensive popular and parliamentary support.

The present Calvo-Sotelo government could last until 1983 only through a miracle, especially after the more than likely punishment from the electorate that it is risking in the Andalucian elections.

It was already a risk to take over the government alone, with a party which currently has about 150 deputies in Congress, as we reminded in the 5-minute turn that we had to speak in Parliament at the time of the remodeling.

Given the correlation of parliamentary forces, the logical thing would have been to form a coalition government with the PSOE, for which we had offered backing, provided the program had our approval.

But Calvo-Sotelo haughtily rejected this solution, not considering the interest of Spain and/or the democratic transition, but rather a group policy, some of the reasons for which still remain unexplained.

The fact is that UCD is losing members of Parliament, and that this drain could increase as the elections approach.

The Socialist Support

And, on the other hand, it is a fact that Calvo-Sotelo is governing with the parliamentary support of the Socialists, without which his government would not last 48 hours.

The head of government does not want the PSOE in his cabinet, but without the latter's support he cannot survive. So much so that, at times, one has the impression that there is a bipersonal government in this country, consisting of Leopoldo Calvo-Sotelo and Felipe Gonzalez, who make the policy decisions, and some ministers who handle the current matters and, from time to time, settle with the PSOE leaders the differences that arise in the implementation of the decisions arrived at by both chiefs.

Of course, this "sui generis" type of participation in the government's policy suits Calvo-Sotelo and UCD, who retain the ministries with the support of a leftist party and, at the same time, keep their hands free to organize the arrival of the great right to power. But does it suit the PSOE as well?

The PSOE thinks that it is acquiring greater respectability in the eyes of the de facto powers and the powers with money through the backing of Calvo-Sotelo; it expects to take votes from the center.

But a worry is beginning to spread in the opinion of the left. Might not the PSOE be yielding too much to a kind of political blackmail from the right which, with the lure of the possible "alternative", is involving it day by day in a government action at odds with what its rank and file and the leftist electorate want?

Is not the PSOE undergoing a political attrition which could prove greater than that entailed by participating directly in the government?

Was it necessary for the PSOE to take a position against the nationalizations as a whole, and not for current reasons, but rather from positions of principle which contradict the practice of Socialist Parties such as the French one or the Labour Party, and which lie rather in the ideological atmosphere of Bad Godesberg?

Might not Calvo-Sotelo be using the PSOE as a point of support for better planning, after the next elections, of the great right government in conjunction with the Fraga Iribarne party?

With a view toward the elections, the UCD leaders (and this is symptomatic) are already starting to talk about a "Marxist" and "anti-Marxist" vote. Apart from the Francoist connotation of this arbitrary division of the electorate, which smacks of the preface to the Civil War (the use of which in Spain represents an eradication, with a single stroke, of the entire transition and the bases on which the Constitution and coexistence are founded), the citing of "Marxism" and "anti-Marxism" discloses intentions that are not exactly in the direction of a future left-center government.

And under those circumstances, the PSOE's statement excluding the PCE from a possible government coalition has proven to be a free gift to the right, one that does not bolster its chances nor those that the working class might have in the near future.

With complete responsibility, we wish to declare that the PCE, sincerely committed to the process of democratic transition, does not consider the perpetuation of the Calvo-Sotelo government a guaranteee of governmental and institutional stability, but quite the contrary. The PCE deems essential a change of government that will reflect the composition of the present Parliament, and from which another far stronger ministerial combination may result. And for those reasons it will maintain and emphasize its policy of categorical opposition to the present government.

The Calvo-Sotelo Involution

The transfer of the government leadership from Suarez to Calvo-Sotelo was a greater qualitative change than we could have imagined during the new president's first months. It now appears obvious that, behind that change, lay the threat of a military coup; which has been confirmed by someone with reason to be informed: the "fifth column" man on YA. Calvo-Sotelo was the person who could make the shift in direction toward the right unnecessary. Someone lagged and someone was hasty. The fact is that Lt Col Tejero's entry into Congress and the egress of Milans del Bosch's tanks in Valencia upset the plans momentarily, and forced Calvo-Sotelo to retain the government's previous composition for a time. Thus, there occurred the passage of the Divorce Law, the arrangement of the ANE and the voting of a law of exception which, in the view of the former justice minister, was to help reduce the coup-oriented press, which is why we approved it. But later, there gradually appeared the shift in direction which has materialized in at least five concrete aspects to date:

1. Calvo-Sotelo's landing in UCD, dislodging the more reformist and populist elements headed by Adolfo Suarez, and replacing them with more conservative personages who are more inclined toward American influence.
2. The second landing, the landing of the great right in RTVE [Spanish Radio Broadcasting and Television], with the appointment of Robles Piquer and the replacement of Castedo, and the changes in that entity's "nomenclature" which has reverted to the past.
3. The desire not to systematize and regulate the autonomous process, but rather to adulterate in practice the spirit and letter of Title VIII of the Constitution, of which the LOAPA [Organic Law on Autonomous Process Harmonization] is good evidence.

4. The decision to join NATO, made hastily, with all the risks that this entails, and without any respect for the dignity of Spain; because issues such as Gibraltar, not to mention Ceuta and Melilla, have been left aside.

5. The development of a socioeconomic policy which is reflected in a constant rise in the cost of living, management's resistance to negotiating the collective contracts in accordance with the ANE, as is occurring in the construction and metallurgy industries in Madrid, and increased unemployment.

In these five points there are condensed the data indicating a genuine political involution, which is a specific threat hovering over Spain at present.

Making UCD Rightist

UCD, with all its contradictions and ambiguities, could be an element of balance in the course of a change which has taken place through reform and not by means of a rupture. Perhaps one of Suárez's mistakes was to establish it as a party and not a confederation, given the diversity of families and origins comprising it. But, at one time, UCD combined in the democratic, constitutional game sectors which could not accomplish this through the historical democratic parties; and it helped to reduce the extreme right.

But that was the UCD of Suárez, Suárez of the first term, who had a democratic language as early as the last Franco Cortes, in advocating reform, who made the historic decision to legalize the PC [Communist Party], who agreed to lend a constituent nature to the first Cortes elected by voting, who initiated the Moncloa pacts and seemed determined to cooperate with the left, who kept the issue of NATO shelved, visited Cuba and received Arafat in Madrid; the Suárez who managed to adopt measures to thwart operation "Galaxia".

Unfortunately, Adolfo Suárez did not know how, or was unable to resist the pressure from the de facto and economic right; he kept giving way to the latter until, in the end, they put him out of commission.

For the sake of the truth it must be said that the left also had its responsibility in this regard. In late 1977 and early 1978, around the period of the Moncloa pacts, if the PSOE had had a clear view of the situation, if it had not been obfuscated by the bipartisan alternative policy, by a kind of "neo-Canovism", the left might have been able to enter the government. In this way, the change would have been far more real and deepseated. A social policy would have been made which was more sensitive to the needs of the workers and the middle classes; as well as a far more progressive cultural and educational policy. Furthermore, at this point the presence of the left in the government would not have appeared, as many think now, as a kind of rash leap into a void, but rather as a normal phenomenon in a European democratic state.

The PCE proposed a suitable policy of democratic concentration; but those enamored of the "neo-Canovism" rejected it, attributing it to a desire to have ministers. They thought that the PSOE might become weakened upon entering the government, and they did not realize that the left as a whole was becoming more weakened as an opposition which could not be radical owing to the fragility of the system. It was forced to cooperate on a series of issues, or otherwise destabilize the change

and foster an involution. In fact, the left became committed to governmental responsibility without any of the advantages for the workers and the people that its participation in its administration could have had. It gave up holding areas of power without becoming at all dissociated from the responsibility for the latter. The key to the disenchantment and increased abstention may lie precisely in this serious mistake.

Returning to the status of UCD, it is obvious that since Suarez's ouster, and the progress of Fernandez Ordóñez's Social Democrats, the rightist orientation of this party has accelerated. The UCD of today is becoming an extension of AP [Popular Alliance]; Fraga has more influence on the first of the two parties through those remaining in it, than through those who have left and joined him in CD [Democratic Coalition]. Concurrently, the so-called "liberals" are gradually progressing toward key posts, insuring the control of the apparatus by the multinationals and the banks. This is a major step toward guaranteeing the domination and the formation of the social bloc of power in the political realm on the part of the oligarchy and the multinationals in Spain. UCD has ceased to be the multi-class party with a reformist and populist component that it was with Suarez.

Control of RTVE

The changes in RTVE are another fundamental step in this direction. In a country wherein there is little reading, and the press depends largely on advertising, the majority of the citizens receive their information from radio and television. If these instruments are controlled by the great right, as is the case now, the direct and subliminal messages are unquestionably those of the great right. Moreover, on the broadcasts made in delayed fashion (which, on television particularly, are nearly all of them), there is a scandalous manipulation of the very brief statements made by the left, cutting them wherever the director wishes and at times making one speak incoherently, if not saying the opposite of what is meant.

One example of the misuse of television was the "show" last Sunday against Poland, a bad "western" of the type in which Reagan used to star, hosted by a notorious member of the Mafia, in which we saw the Turkish dictator, who has dissolved chambers, parties and labor unions, and who has tried, tortured and shot, giving us a lesson in "democracy". That broadcast made more sympathizers than critics of the Jaruzelski regime, because Reagan, who has just granted the murderous Junta in El Salvador \$55 million in arms, and who is again threatening Cuba and Nicaragua, has no moral authority to talk about democracy in Poland.

Without a pluralistic RTVE, as this state agency should be in a democratic system, the political consciousness of many Spaniards is being formed by Mr Robles Piquer, who is politically midway between Calvo-Sotelo and Fraga Iribarne, without having overcome the phobias originating from his recent past.

LOAPA, Against the Autonomies

LOAPA is another part of this process. When the Constitution had just been approved, the right in this country did not conceal its desire to change Title VIII, with an obviously anti-Catalonian, anti-Basque position. We are faced here with a concept that is not traditional, but rather traditionalist, on the unity of Spain, which refuses to accept the complete compatibility of this unity with recognition of the

fact of the Catalonian and Basque difference, two inevitable realities which any modern state would accept with no problem. But that rightist concept, reflecting real economic contradictions of the past, when the landholding sector weighed heavily on the oligarchy, something which does not relate any longer to the present-day reality; that purely residual, ideological concept is another one of the great myths serving as cement for the social bloc that is being attempted to establish.

And they are resorting to what is essentially an ideological vestige, even though they realize that those positions are capable of nurturing independentism and even terrorism in Euskadi, and of hampering Catalonia's placement in Spain.

We took part in the first portion of the talks on the issue of autonomy, because it had been our party which proposed far in advance the establishment of a state pact open to all the parliamentary parties, to regulate the process of structuring the democratic state of the autonomies, thereby insuring their governability. It was in those talks that we noted that the first phase of the Calvo-Sotelo government, that of divorce and ANE, was the swan-song of a centrist policy, and that Calvo-Sotelo was clearly starting a phase which it is no exaggeration to call involutionary.

We greatly regret that the PSOE has become so seriously committed to the LOAPA. Is it seeking to make a favorable impression on the de facto powers and the social right wing? We doubt that it will achieve anything more than a temporary "satisfecit" [it sufficed], which will not lessen the fundamental misgivings and hostility of those sectors toward it, and which despite its wishes will lend it an image of becoming right wing oriented.

Spain and NATO

During this period, the keystone that has completed the operation of coordinating the social and political bloc of the great right, the oligarchy and the multinationals has been the decision to enter NATO.

No one in the government or other groups which upheld this decision has succeeded (or even made an attempt) in giving a satisfactory explanation of the reason for the entry, based upon the requirements of international policy and defense.

Everyone is convinced that, in the event of a world war, this decision would put us in the eye of the hurricane without any advantage.

Actually, the entry into NATO was not prompted by reasons of defense, but rather of mere domestic policy. The right wing sociopolitical bloc needed to become reinforced with the guarantee from American imperialism. NATO will not lend new strength nor new world prestige to Spain, but it will reinforce the great right operation. Its sponsors expect it to cement more firmly the alliance between the rightist sectors and de facto powers of all types, including those with money and the multinationals. They expect Spain to continue being the bastion of the right in a Europe wherein changes are indicated which worry the American administration and the big international monopolies.

An Insecure Government Backed by the PSOE

The definitive fact is that, without there having been what someone has termed a "passage through the left", Spanish politics is undergoing a tremendous shift to the right.

The fact is that, owing to the lack of an incisive policy in the leftist party that is most powerful electorally, the left did not attain positions of power when the change occurred, nor has it felt free to be a radical opposition, out of fear of destabilizing the already precarious establishment of the democratic institutions.

Upon noting the real nature of the Calvo-Sotelo government, we Communists declare that we shall not continue to hold towards it the position that we have maintained, especially during the first term of the Suarez government.

The Calvo-Sotelo government does not guarantee the supremacy of the civilian authority or the stability of the democratic institutions; it has even shown its inability to uphold the authority and prestige of the head of state against those who take the liberty of making the most foul attacks on him.

That government is as weak and yielding to the extreme right as it is arrogant and presumptuous toward the left. In the latest parliamentary debates, even towards the PSOE which, agreement after agreement and pact after pact, has been supplying it with oxygen balloons without which it could not survive, Mr Calvo-Sotelo has shown a lordly pride considering all the homage as being due him.

If we on the left do not adopt a strong position, the president, with the threat of early dissolution, will end up moving the entire country to the right, and we shall end up after a certain period of time having to begin the struggle for democracy over again.

The Political Bosses of the CEOE [Spanish Confederation of Business Organizations]

I believe that there must be clearcut agreement on two issues which affect the operation of Spanish democracy: the position at the top of the business organization and the military problem. They are two different issues, and they also have a different approach.

The leadership of the CEOE, consisting of a sector of major financiers and business owners, and some front men of verticalist origin eager for profits, who thrive and prosper while a large number of small and medium-sized businesses are in the center of the earthquake caused by the crisis, the group headed by Ferrer Salat and Cuevas, are acting as an obstacle to the consolidation and progress of democracy. These gentlemen are living with nostalgia for the previous regime, wherein they dictated the law, indeed, "without engaging in politics;" because as they like to say, "the businessmen have not engaged in politics in this country," when the government was catering to them, but who nevertheless demand to do so now, when forces challenging their privileges which had previously been oppressed are acting freely.

Behind the great right operation, behind the creation of the social and political power bloc of the oligarchy and the multinationals, clearly lie the Ferrer Salat and Company groups with their millions and their influence.

They did everything to overthrow Suarez, because he was too reformist and populist for their taste; they denounced the Moncloa pacts, describing them as little less than the establishment of soviets in Spain; they attempted to foist the entire weight of the crisis on the backs of the workers; they made credit more expensive, discriminating against certain categories of business owners; they attempted to divide the labor unions, at times successfully; they approved the ANE late and grudgingly, never doing anything to have it implemented, but quite the contrary.

Now they are trying to launch forth on the billions in social security; because their entire confrontation with the unions and with the Messrs Fuentes Quintana and Barea stems from their desire to make social security private, so that private firms may channel and exploit those funds.

The fact that social security must be streamlined and improved is true, and we in the leftist parties and unions have constantly demanded this.

But what Ferrer Salat, Cuevas and others are seeking is something entirely different: it is that social security be a private business, paid for essentially by the workers and considered just another business.

The position of the management leaders does not threaten solely the direct beneficiaries of social security, as some people simplistically think. The nearly 3 billion in social security keeps up the demand for products which make many business firms run; it supports commerce which, without that demand, would have to shut down in many instances; it is the source of income for many professional workers.

An upset in social security in the direction advocated by the management leaders would harm both the interests of the direct beneficiaries and those of the indirect beneficiaries; and it would greatly worsen the crisis besetting us.

The CEOE has turned over many millions to the campaign for the Galician elections, clearly backing AP; now it is ready to do the same thing with UCD and AP in Andalucia. Ferrer Salat and Cuevas are giving the CEOE a reactionary political leadership, in opposition to the interests of the vast majority of business owners.

The question that is posed is whether it is permissible for an economic organization such as the CEOE to be used by its leaders as a political springboard and tool for financing the right wing campaign; and whether the great mass of business owners can continue to agree to this abuse.

In any event, the workers, the ordinary people, will know how to direct their vote: If the class adversary is backed by UCD and AP, the response is to vote for the left, and most particularly for the Communists.

The 23-F Process

The PCE has proposed to the leading political parties an agreement that would make it possible to focus in coordinated fashion on the issue of the 23-F process which, owing to its critical nature, deserves to be handled with complete seriousness and responsibility.

On the eve of this process, the military issue assumes its entire significance. How is it possible to conceal the uneasiness of the public regarding the results of that process, when it knows about the statements made by Lt Col Tejero to EL MERCURIO of Chile, wherein, in addition to describing Spaniards as drunkards and philanderers, he announced his desire to hold a seat in Congress again as soon as he has an opportunity? How can it ignore the fact that, as soon as there is the slightest change in the high military echelons, anxiety and questions arise among extensive sectors? How can it fail to be concerned when there is a continuation of the destabilizing campaign of EL ALCAZAR and the many subversive pamphlets brought into the barracks, without any measures taken by the government to stop it?

Everyone wonders whether this government is capable of guaranteeing strict compliance with the law, aware that anything else would lead to the most serious crisis that the constitutional parliamentary monarchy could face.

To be sure, this is not an attitude of suspicion and mistrust toward the FAS as a whole. We all know that they have proven to be respectful of the political change, and have been on the side of the constitutional institutions relating to 23-F.

Similarly, the new institutions have done, and are willing to do everything possible to make the FAS increasingly better equipped to play the role assigned them by the Constitution.

But, nevertheless, there is still a problem that we cannot evade.

The Spanish civilian society is overcoming the trauma of the last Civil War and the subsequent repression; there is an almost unanimous desire in that society to consider the Civil War an historical event that cannot be repeated, and to maintain a system of coexistence among all the political and ideological families which comprise it.

There has occurred in Spain a peaceful change which has amazed the entire world, after the torments which clouded the past, resulting from its civic spirit and the absence of a spirit of revenge.

No one here has been persecuted for his ideas or for his past; and if there is a spirit of revenge in any sector, it is among the very small group of those nostalgic for the dictatorship.

But that overcoming of the war trauma has not occurred at the same pace in the FAS. The conditions of the tragic conflict among Spaniards still carry an essential weight in the training of the commanders. But the Spanish Armed Forces have glorious military traditions which date back far beyond the Civil War, which are the authentic military historical heritage of a national Army, and which, together with the new tasks assigned by the Constitution, should constitute the ideological foundation for the training of our FAS.

We already know that such a change cannot be accomplished in a day. However, so long as it is not undertaken clearly and with determination, there can persist a certain amount of time lag between the civilian society and the FAS, capable of destroying the plan for modernizing and, I would say Europeanizing Spain through peaceful means with democratic coexistence.

In the propaganda of the previous regime there was a tedious insistence on depicting the Civil War as a kind of external war "against international communism." This was the basis for much of the feeling of hostility toward the PC and the belief that the PC was the enemy of the Army. But that is not the historical truth. I wish to declare here that we are not enemies of the Army; we Communists consider the Army a necessary instrument of the state in the current society, and we want to feel, with the entire nation, identified with an Army that is in the best position to defend the fatherland's integrity against any aggression, constitutional legality and the institutions that the people have adopted.

We are advocates of the supremacy of civilian power, like every democrat; we are, indeed, enemies of any military dictatorship, not only in our country, but in others, including Poland. In general, we have proclaimed our position of principle against any dictatorship, regardless of whose it may be.

The Responsibility of the Left

Consequently, from all the foregoing statements one clearly infers that the Communist Party holds the opinion that the Calvo-Sotelo government has created a new political situation which threatens to begin a process of return, of involution, under the recomposed hegemony of the oligarchical sectors and the multinationals, supported by American imperialists.

In view of this situation, the leftist forces must uphold a strong position which does not exclude, rather the contrary, responsibility and commitment to the democratic process and the defense of the Constitution at all costs.

But precisely because of faithfulness to that commitment and that defense, they must not maintain any ambiguity toward a government which is jeopardizing the gains of this period.

Although we in the PSOE and PCE, together, had more votes than UCD and CD in the 1979 elections, because of the features of the Election Law, we obtained fewer seats. It is by no means certain that something similar may not happen in the next elections. And if we Communists, each one of whose deputies represents 84,209 voters, while one from UCD represents only 37,296 and one from PSOE represents only 45,098, have opposed the revision of that unfair Election Law which is not based on the democratic principle of "one man one vote," in which case our minority would be nearly double what it is at present, it is because we greatly fear that a new Election Law, prepared at the last minute, would be even more unfair than the present one, and tend to crystallize the bipartisan system. The UCD was supposed to have brought to the Cortes at the beginning of the legislature a draft Election Law, and it may be suspected that it did not do so because it did not know what criterion would suit it best at the time when it would have to be implemented.

But what is obvious is that the left is sufficiently strong in this country, even today, to wield an effective influence on national politics. And if it has not achieved this it is because of the lack of a leftist strategy aimed at protecting the rights of the workers and the ordinary people, as well as the collective and individual liberties and the economic progress of Spain.

The cooperation of the left, the Socialists and Communists, is what can now draw from the left center and center forces, attracting them toward an authentic policy of progress.

If there is not that cooperation, in the long run it will be the forces of the right (as is happening already) which draw from the center towards themselves, and which succeed in moving the PSOE itself increasingly toward the right. The rightist orientation of this country will increase and the people, the most unfortunate ones, will pay the consequences.

Communists and Socialists

The PCE is not willing to follow that path. Whatever the course of events may be, we shall remain in the area of the authentic left, which will not postpone its plan for change for 25 years, which wants to start changing now insofar as is possible and necessary, I repeat, in a responsible, but also consistent manner.

Recently, in the Madrid City Hall, we have given proof of the value that we attach to unity with the Socialists. The argument that we did not have individuals with the ability to insure the continuity of the Urban Development Management was infantile; we had them and we proposed them. For reasons that it would be better not to discuss, the Socialist comrades demanded the Urban Development Management for them, breaking the pact signed in April 1979. In the end, we yielded to that demand. We did not want to endanger the reestablishment of the pact, which is essential to us, for what might appear to be the pettiness of retaining a position.

It might be well to recall that, before the municipal elections of 1979, the PSOE did not uphold the need for making a pact with the Communists. The PSOE was already talking about an "autonomous" plan. But the municipal elections brought good results for the Communists, and the PSOE, realizing that the only way of governing the municipalities was to make a pact with the Communists, accepted the proposal that we made to it on the very night of election day. And I think that the general result of the leftist municipal administration has been positive, despite the lack of government experience.

The position of the PSOE in Madrid caused fear that the incident was the beginning of a general break in the pacts on its part, and a rightist orientation of its policy.

Fortunately, that was not the case, which shows that, in the long run, the PSOE is also sensitive to the united will of the leftist electorate and that it realizes that, at the moment of truth, the right will not do it any special favors, regardless of how very moderate and "Social Democratic" its offers may be.

Therefore, to the essential question that may be posed for us in an election year: does the PCE have any concrete alternative to offer the voter?, our answer is affirmative.

Fraga and Calvo-Sotelo have an alternative that can be clearly discerned, although the latter does not admit it: the government of the great right. The voter should know what to depend on there.

Thus far, the PSOE has been depicting itself as a government alternative; but the fact is that the PSOE leaders know that, alone, they are no government alternative, even though they may depict themselves as such and promote the hunt for the so-called useful vote. In this country, no party has sufficient electoral support to govern by itself.

The PSOE leaders know that if they want to govern after the elections they will have to do so in a coalition; and that if they maintain their refusal to come to an agreement with the PCE then, they will be forced to govern with the right, as was done by their French counterparts when they were led by Guy Mollet, or as they have done in Italy, with negative results for these parties which have not yet been overcome in Italy, and which were in France thanks to Mitterrand's leftist unity policy.

Our alternative, the offer that we would make to the voters in the next elections, the authentic "useful vote" that we would propose to them, would be to put a strong Communist representation in Parliament to prevent the rightist orientation, and the involution of democracy and of the PSOE itself, and so that the future government will have to count on the authentic left and make a progressive policy.

The PSOE will win many votes; it won them already in 1977 and 1979. It is likely that any sector which voted for the center will give it its vote now. What is needed is for the men and women of the left, those who foster ideals of a real, deepseated change in the society, and who do not want to wait 25 years, who have been anxious and even abstained when faced with the shift to the right, and who fear that this shift will end up even dragging along the PSOE, to increase, to add to the 2 million votes that the PCE won in 1979.

If the men and women of the left do so, the relations between the PSOE and PCE will become strengthened, and the next elections will pave the way for a truly progressive policy that Spain needs so much.

We are aware that this is an election year and, at the same time, a dangerous one for democracy; and that we must deal with it by applying the policy line approved by the 10th Congress.

At this time I would like to recall what was the core of our self-criticism at the Congress: th need to reverse the process that had taken place in our party after the emergence from clandestine status, which moved our cadres from work among the rank and file and in the mass movements toward positions of public representation and leadership organs above, creating barriers of lack of communication or a defective communication between the party's leadership and its rank and file.

We Communists will not win the elections essentially in a 21-day election campaign which, however well oriented it may be, will always have fewer facilities than those of the PSOE and the rightist parties.

We shall win them with a constant effort to strengthen and expand our organization, with a constant effort to popularize our administration in the town halls, and the administration of our deputies in Parliament, and with a real endeavor in the mass movements.

The Parliamentary Work

Insofar as Parliament is concerned, during this session we shall submit our alternative to the social security reform aimed at achieving an honest, clean management, at having the health and medical services operate efficiently, at having the unemployment subsidy made general and include the workers now excluded, and at making retirees able to have a decent old age. We want Spain to be a country in which everyone can eat and work and, in short, live.

We shall also adopt parliamentary initiatives to improve the entire pension system, and particularly to insure retirees free access to, or a reduction in the price of services which are now too heavy a burden for them.

We intend to participate in the discussion on industrial reconversion, so as to provide solutions which are economically and socially constructive for it, with a view toward coping with the crisis and the consequences of the future entry into the MCE.

We shall strive for a decision on the pending Agrarian Reform and Development Law, and for an effective implementation of the Laws on Obviously Improvable Properties, the Family Farm Statute and the Law on Young Farmers. Concurrently, we shall pay great heed to the elections for the Agrarian Chambers.

It is our desire to launch a strong campaign against the rising cost of living, made worse by the latest hikes ordered by the government, combining parliamentary initiatives with mobilizations.

We also want the discussion in the Cortes of the draft Law on Cooperatives, for which we have submitted major amendments, to be accompanied by the active participation of the cooperative movement which is directly affected by that bill.

As for the University Autonomy Law, we think that the battle which our parliamentary minority has started to wage with the intervention of Eulalia Vintro will have to be accompanied by a mobilization of the university centers, in order to attain positive results.

Insofar as the reform of public administration is concerned, regarding which four bills affecting the personnel will be discussed, we must also achieve the participation of the latter, who are affected most directly.

The Local System Law (so critical to the governability of the municipalities) will also be a subject in the area of our activity during this period.

Also to be taken up are the Law on Interruption of Pregnancy, the Emigration Law and others which affect a large number of male and female citizens of this country.

Moreover, the issue of the USA bases will come to the Cortes, one which is of very direct concern to the interests and sentiments of Spanish citizens, and which is quite directly related to the entry into NATO.

We shall have to pay careful attention to the fulfillment of the ANE and, in general, to any actions which could reduce unemployment and limit what is currently the number one plague in this country: unemployment.

Mobilizations and International Solidarity

These and other problems of a general nature which came up during this plenum and which directly affect the living conditions of our population are the ones that we want to concern, basically, our Central Committee and the party's organizations from now on. For this purpose, there will have to be an increasingly smooth communication between the central leadership, intermediate organs and rank and file of the party; and between the latter and the mass movements.

It will be essential to popularize what we are doing in Parliament, and to back it with an active mobilization of the party and the mass movements; while at the same time collecting the proposals of the party and the masses in order to carry them out on the parliamentary, municipal and other levels.

Obviously, during this period we shall actively continue our endeavor of internationalist solidarity. We are now seriously concerned about the Yankee intervention against the liberation movement in El Salvador, and the repeated threats against the Cuban and Nicaraguan revolutions. We plan timely campaigns immediately, and also parliamentary initiatives, for example, against the electoral farce which the murderous dictatorship and Reagan's American administration are mounting in El Salvador.

We shall continue our solidary effort with the Turkish democrats, with POLISARIO [Popular Front for the Liberation of Sagüia el Hamra and Rio de Oro], with the PLO and the Arab peoples, with the efforts of the Democratic People's Republic of North Korea for the country's reunification; and with all the oppressed peoples and classes of the world.

The struggle for peace, disarmament and the simultaneous dismantlement of the military blocs will continue to be at the center of our attention.

At the same time, we shall continue stressing our position backing the renovation and democratization of Poland, while adopting initiatives in the international realm for a new coordination of the labor and liberation movement, as we agreed at the last Central Committee meeting.

Our Party, Today

I wish to conclude this address with a few words about the status of the party.

Anyone who follows the activity of our organizations during this period will find that an active debate is under way within the PCE, with more attendance at the assemblies than was common before the 10th Congress, and that, at these assemblies the most varied opinions are being expressed, with no limit on the right to differ.

In our party, there is room for all the differences, those of the individuals who do not agree with the position of the Congress and the decisions of the Central Committee on the issues of the labor and liberation movement, because they think that we have gone too far in our criticism; and those of the individuals who think that the party's renovation is insufficient and that we have fallen short.

We have proposed for ourselves the task of actively participating in these debates, without putting forth anathemas, and showing the greatest sensitivity toward the differences, in an effort to convince, to persuade and to update the communist cultivation of the militants. And we are continuing with that orientation.

Now then, in our party, as in all others, and in any democratic community, there are some groundrules that we must all obey. Anyone who does not obey them voluntarily excludes himself. Those rules are established in the statutes.

Those who think that, by violating the statutes and preparing documents or organizing rallies apart from the organization, in which they attack the party's policy and leadership, they will force us to break the statutes and conclude another policy or another leadership with them, are mistaken.

Within the party, any debate is possible; outside of it, there is no debate; there is hostility, denigration and attempts to split the party.

This is happening with a well orchestrated campaign, wherein the council members themselves resign every 3 days, giving the impression that the resignations are multiplying and that not a single council member is left in the party.

This is also happening with the constant documents which are always signed by the same individuals, but which give the impression of an unstoppable drain of members; and which sometimes include, in an abuse of confidence, signatures which have not been authorized, such as those of Comrades Caba and Jose Sacristan.

The same thing holds true for certain rallies and articles which will not go down in history for their political or theoretical importance, but which attempt to give the impression that the party is breaking up.

Are those who do this aware that those attitudes are becoming an electoral pre-campaign against the PCE? It is true that we have already been notified in advance of the fact that some are counting on an electoral defeat of the PCE, so as later to change its policy and overthrow its leadership. They would be willing to reign over a PCE in ruins! What do the interests of the working class matter; what does it matter if the country becomes rightist; what does it matter if the party is destroyed? The important thing is to put the policy of the PCE, the leadership of the PCE and the rules whereby the latter is governed out of commission; what matters is commanding.

I believe, I want to believe, that most of the comrades who share in these attitudes are not aware that they are engaging in an election campaign of the right; and I urge them here (I think that I am interpreting the feeling of the Central Committee) to give up that position, and to uphold their positions within the party's ranks, abiding by its statutes. The party is not closed to any revolutionary; only those who do not abide by the groundrules exclude themselves.

In any event, they must realize that the party's rank and file and our voters are beginning to be fed up, to doubt the goals and intentions that they are pursuing, and to think that some are merely planning the split while others are planning their flight to new membership in different parties.

Insofar as the party as a whole is concerned, we are reassured. We shall continue our work seriously. We shall adopt all the measures to prevent an early dissolution of the Cortes, which would be very negative for democracy, from taking us by surprise.

We shall maintain and expand our electoral space, certain that we are thereby serving the cause of democracy, socialism and communism; in other words, the cause for which the PCE exists.

Madrid, 5 February 1982.

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DEFEAT IN ANDALUSIA WILL BE TRAUMATIC FOR PCE, CARRILLO

Madrid EL PAIS in Spanish 13 Feb 82 p 16

[Article by Joaquina Prades: "Consolidation of the Rural Vote, Prime Goal of the Communists' Campaign in Andalusia"]

[Text] Seven deputies in the Congress, over 100 mayors, 1,400 council members and 28,000 dues-paying members constitute the assets of the Spanish Communist Party in Andalucia (PCE-PCA). The Andalucian organization is one of the strongest among the Spanish Communist entities, but its chances of election to the Andalucian Parliament are uncertain. On the one hand, the internal struggles, expulsions and mutual discreditation among members of the party have had a negative effect on public opinion. On the other, there has been a contradictory assessment of the influence that the Communists' performance in the town halls will have on the election results.

PCA leaders believe that the "integrity and firmness" shown in their municipal management constitute their best bet in the elections. The right claims precisely the opposite: The left has only managed to increase taxes, and the people will take revenge in votes. A widespread opinion in the PCA is that an electoral failure in Andalucia would entail a serious threat to the continuity of the present PCE leadership, headed by Santiago Carrillo.

Despite everything, Felipe Alcaraz, secretary general of the Andalucian PCE, though he is aware of the general disbelief, claims that the PCA will be the second-ranking electoral force in Andalucia, that it cannot surpass the PSOE [Spanish Socialist Workers Party], "because its victory is a proclaimed one;" but that its image as an "authentic left" and a "non-decaffeinated left", because "it has not made any LOAPAS [Organic Law on Autonomous Process Harmonization] with the Madrid government, nor toned down its ideological principles, regardless of how much of a 23-F trial is going to be held," will bring it, Alcaraz claims, many votes in a region with Third World features such as Andalucia.

Flight of the Urban Vote to PSOE

In addition to depicting itself to the voters as the "authentic left," the Communist Party of Andalucia will put forth the message that unity of the left is possible with it. However, the Andalucian Communist leaders who, for the first time in their brief electoral history, have received funds from the PCE's Madrid headquarters to finance the campaign, are not unaware of the lack of confidence toward them harbored by the middle classes, and of the fact that this vote, like that of the

intellectuals and professionals, will for the most part go to the PSOE, imitating the example of the vice-president of the Sevilla Chamber of Deputies, the "renewer" Amparo Rubiales. The Socialists did not deny to this newspaper the rumor circulating currently in Sevilla to the effect that Amparo Rubiales is going to join the PSOE, and not in exchange for anything.

In the PCA there has been discussion of an agreement whereby the young Communist former vice-president of the Sevilla Chamber of Deputies will be the cultural councillor in Rafael Escuredo's next government. In the PSOE they neither confirm nor deny this, although they assess Amparo Rubiales as one of the politicians most familiar with the regional public administration.

Without going so far as Alcaraz's pre-election triumphalism, it is likely that the PCA will not fail in these forthcoming elections; because 75 percent of the Andalucian Communist votes are those of peasants and day laborers, and they do not vote for individuals, but rather for the initials with which they have been affiliated since they became enamored of the October Revolution. It is the disciplined, almost religious vote of the perpetual Communists. Both the "renewer" leaders and the "officialists" admit that the traditional Communist culture which insures the loyalty of this 75 percent of the vote is not devoid of a strong pro-Soviet component. It is still the rural men and women who say that the Soviet Union "was invited to Afghanistan" and that Jaruzelski's reaction is fully justified, because otherwise the American imperialists would have erased Polish socialism from the map.

There Are No Organized Pro-Soviets

These old ideals keep them faithful to the PCE and to its secretary general, Santiago Carrillo, whom they do not consider a "traitor" but rather a magnificent strategist. The Andalucian Communists have never made a successful attempt to organize a pro-Soviet faction. The last effort, headed by the leader of the Malaga Workers Commissions and the chief aide to the mayor in the city hall there, Leopoldo del Prado, met with the expulsion of both, and the party did not pay too high a price for it. The waters very soon returned to their channel and the matter was not discussed again.

Hence, in the elections of 23 May the PCA is seeking primarily the consolidation of the Communist vote. For this reason, it should come as no surprise that the main issue around which the election campaign will revolve is agrarian reform, the total agrarian reform, as they call it. Its author, Ignacio Vazquez, is an instructor at the Sevilla School for Agricultural Experts, and owner of a 800-hectare farm on the best land in the Sevilla lowlands. He is what his detractors term a landholder (he also owns another smaller-sized farm that is not under cultivation), and what his followers term a model businessman, because his farm produces to the maximum, and he lives exclusively from the land.

Quite recently, Ignacio Vazquez had to dodge a 12-hour debate on "his" agrarian reform, at the regional conference held in Sevilla. There are still many Communists who do not see beyond the old slogan of "the land for those who work it," but the majority consists of those who voted for approval of the RAI [Total Agrarian Reform]; in other words, to leave the land ownership as it is (except in scandalous cases of social injustice) and to focus attention on making it profitable, modernizing the

production system and establishing the necessary industry in Andalucia with which to process the rural area's products. In order to achieve a cut in the price of land, they are seeking to establish heavy taxes on unearned increment, to make it possible for those who inherited it to pay the state in land for the very high estate taxes which they deem necessary and to force the reinvestment of part of the profits from agriculture in the rural areas. A comment by Ignacio Vazquez summarizes the essence of his program: "The land for those who work it, provided their production is not for those who market it."

A new institution yet to be created, the District Boards, of which the local corporations and labor union confederations would be members, will be responsible for planning the crops and absorbing the expropriated estates. The Boards replace the old Communist concept of protecting family farms, whose members "are not Communists and always vote for the right," according to Ignacio Vazquez; and there are some who describe them as "soviets."

Felipe Alcaraz or the current mayor of Cordoba, Julio Anguita, will uphold this program during the election campaign as candidates for the chairmanship of the Andalucia Board. The forces backing each are still comparable. Anguita is the "modern" image of the PCE, and the party's leadership has praised his administration as head of the Cordoba city hall. His identification with the "renewal" sector is his main obstacle, because the PCE will not let his appointment as a candidate be capitalized on by the renewers, since their entrenchment in Andalucia is minimal.

Alcaraz or Anguita

Alcaraz, a deputy and teacher of literature, loyal to Santiago Carrillo, is better identified with the Andalucian rank and file, although he claims that he would not mind accepting Anguita's candidacy, "provided he pledges not to take a position as a renewer." Anguita, for his part, remarks that, at the 10th Congress, he upheld renewal positions, but that he has abided by the results of the Congress in a disciplined manner.

While the Communists settle who is to be the candidate for a chairmanship, which no one now doubts will be for Rafael Escuredo, intensive effort is under way in the PCE not to be defeated in Andalucia; because, as Alcaraz admits, "the consequences of our defeat in this country would not be serious, but very serious." It is the general opinion among Andalucian Communists that Santiago Carrillo's replacement as PCE secretary general would be the first question to arise, this time with almost traumatic features, if they do not obtain over 12 deputies on 23 May. A high-ranking leader commented that the dozen deputies was a minimal figure "not to make fools of ourselves."

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CEOE SEEN MOBILIZING AGAINST SOCIALISTS

Madrid EL SOCIALISTA in Spanish 10-16 Feb 82 pp 24-25

[Article by Ernesto Castillo: "The CEOE on the Campaign Trail"]

[Text] What happened in France (the victory of the Socialists in the last election) is the mirror in which Spain's social and political forces are looking at themselves, to a greater or lesser depth. Nevertheless, the group that would like to learn the most from the French experience is Spanish businessmen, for whom the election campaign has already begun and who will use the autonomy balloting in Andalusia as a trial mobilization for the general elections, which will presumably be held in the fall or the first quarter of 1983 at the latest.

People are almost always guilty of oversimplifying when they talk about Spanish business. They mean the representatives of business, in other words, the top echelon leaders of the CEOE [Spanish Confederation of Business Organizations]. A distinction in this regard is important, because the CEOE is currently experiencing what the union federations went through in their day: a gap between the top echelon and the rank-and-file. "We are afraid," one of these natural business leaders has said, "that we have divorced ourselves too much from the rank-and-file. For example, we might be in favor of a renovated UCD [Democratic Center Union] while the great majority of businessmen, having become radicalized, will vote for Popular Alliance (AP) and even New Force."

In order to prevent this gap from widening and, above all, to prevent the Socialists from winning the next elections, the top echelon of business has begun its own election campaign. We will point out four indications of this.

Segurado at the Century 21 Club

In the middle of last month, Jose Antonio Segurado, vice president of the CEOE and president of the Madrid employers association, made an appearance at the Century 21 Club to discuss "The Reflections of a Businessman Looking at the Current Situation." His audience was the first clue. Most of the guests were from the AP; some were from the more moderate wing of the UCD

(plus Fernando Abril, a personal friend of Segurado's); representatives of the PSOE [Spanish Socialist Workers Party] and of union federations were nowhere to be seen, and invitations were not even extended to communist leaders.

Segurado indicated that business would seek intelligent alliances between the centrist and rightwing parties "so that we are not so blind as to let the Left win the elections. Spanish socialism is not Felipe Gonzalez; it is the radical socialism of Mitterrand or Willy Brandt." He went on to say that a strengthened UCD would have to play a very important role in the next election "to compete cleanly with the PSOE and win." How it would be strengthened was left ambiguous, although it is not hard to infer Segurado's desire for the so-called "natural majority."

Cavero At the CEIM [Independent Business Confederation of Madrid]

Not present at Segurado's address, even though he had announced he would attend, Inigo Cavero, the secretary general of the UCD, was present, with his entire staff, a few days later at a meeting of the Board of Directors of the CEIM, the Madrid employers group. It was learned that at the meeting Cavero pledged to work together with the CEOE in drafting the UCD's electoral platform. This will be the first time that businessmen are involved in organized fashion in drafting a political party's election promises. It seems certain that they will incorporate not only their economic views but also their entire concept of life and society, which is not exactly aimed at modernizing them.

Shortly thereafter, a newspaper claimed that the leaders of the CEOE were being "pressured" [asaeteados] by AP and UCD leaders into heading up these parties' election lists. Until it gets a clear idea of the competing options and of its political strength, the CEOE will play hard to get.

Ferrer Salat in Andalusia

The autonomy elections in Andalusia will be a good trial run for the businessmen, looking towards the general balloting. They have the experience of the Catalan Assembly elections in 1981 and the elections in Galicia the same year, in which business clearly supported the winners (Convergence and Unity and AP, respectively).

The Confederation of Andalusian Businessmen will reportedly spend some 400 million pesetas on the election campaign, which will be divided into two stages. An initial, low-key phase will try to get out the vote (estimates are that each businessman can mobilize six votes, from among relatives and even workers and intermediate-level personnel in their companies that would second their bosses' vote). The second stage will be more aggressive, and although there will be no direct suggestions to vote for a given party, subliminal guidelines will be offered for disciplined ballot box support of the ticket (AP, UCD or their coalition) that is most receptive to business grievances.

Ferrer Salat, president of the CEOE, was in Seville last week to reaffirm the upper echelon's backing of the Andalusian employers group (which carries scant social weight) in the upcoming elections there. In public remarks Ferrer came out in favor of including businessmen on the lists of those parties that advocate a free market economy.

Cuevas Versus Fuentes Quintana

The last indication that business is in the midst of an election campaign was CEOE Secretary General Jose Maria Cuevas's furious attack on Fuentes Quintana over the Social Security reform. Fuentes Quintana was the chairman of the Social Security Reform Committee, on which both employers and union representatives sat. The committee failed to reach an agreement because of the standing boycott by CEOE representatives, in the opinion of both Fuentes and the two union federations. Therefore, Fuentes Quintana and Jose Barea (deputy chairman of the committee) drew up a document summarizing the existing stands, based on which a committee of experts appointed by the administration would continue looking into an overhaul of Social Security. This document, the personal work of Fuentes and Barea, was described by Cuevas as "socialist."

All indications are that the purpose of Cuevas's remarks is to tone down the CEOE's obstructionist stand and to portray Fuentes Quintana to the employer rank-and-file as pro-socialist, which he has never been. This would accomplish two things: once again discredit Fuentes Quintana, who has been a veritable "bete noire" for Cuevas and his machine, and mobilize the employers against the "socialist" initiatives that are on tap, according to them, even before the elections. A campaign of fear ("The Reds are coming") is going to be waged from here on in by the business leaders to exploit society's fear of another coup d'etat. "It's either me or the sword" seems to be the catch phrase of Jose Maria Cuevas, a figure with a longstanding "blue" tradition and strong ties to the former vertical union and to the Martin Villa faction.

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FRAGA: GOOD SHOW IN ANDALUSIA WILL LEAD TO AP-UCD COALITION

Madrid EL PAIS in Spanish 23 Feb 82 p 18

[Article by Joaquina Prades]

[Text] The Fifth Congress of Popular Alliance (AP) closed last Sunday with the reelection of Manuel Fraga as president and Jorge Verstrynge as secretary general, accompanied by a leadership team that shows few major changes from the previous one, one of which is the voluntary absence of Felix Pastor. In his closing speech Fraga said that "the coming months are full of challenges and major decisions for Spain" and he then listed the elections in Andalusia, the general elections, the municipal elections and then the provincial elections. To Fraga, all of them are "short-term commitments" in which AP will have a great deal at stake, because a voter shift towards socialism, "even if it is decaffeinated," would be of great consequence to Spain.

Fraga Wants Coalition with UCD and All Conservative Forces to Halt the PSOE at the Upcoming Elections

After being reelected president of AP, Manuel Fraga repeated for the nth time last Sunday in his closing speech to the party's Fifth Congress that there is a need for a natural majority (UCD [Democratic Center Union]-AP) in Spain. As he said in a press conference yesterday, he feels that the two parties should form a coalition for the upcoming elections. "Whoever thinks that nonleftist parties can garner more votes by running separately has no idea of the electorate's feelings," he stated.

This natural majority would consist not only of the two aforementioned parties but also of the group that the turncoat centrist Miguel Herrero de Minon plans to form, as a complement to the political operation outlined for the other two in a bid for union among all conservative forces to stem socialist gains.

The outcome of the elections in Andalusia is being anxiously awaited in Manuel Fraga's party, inasmuch as the AP people feel that if they manage to do better than the UCD in the Andalusian Parliament, "this will represent," according to Fraga, "a major step forward towards forming the natural majority."

Fraga reiterated in his closing speech that the natural majority is "a fundamental objective in Spain at this moment, because we cannot continue to be governed by a minority nor run the risk of a major shift like the one that is ruining France." Although he reminded the 2,500 delegates attending the Fifth Congress that the UCD was responsible for inflation, negative economic growth, unemployment and citizen insecurity, Fraga was conciliatory about the method of achieving this natural majority. "This is not an inflexible proposal, much less an intransigent one," he pointed out.

"We all have to look for the proper ways to find the road that will make is possible. We are open to any negotiation, to any solution for ending this making and unmaking of governments, this making and unmaking of parliamentary groups, while the polls reflect the PSOE's [Spanish Socialist Workers Party] gains." Fraga reminded the delegates of the contradiction facing socialists in having an ideological program and "not daring to apply it. They are afraid of nationalizations," he said.

Attacks on the Centrist Party

Nevertheless, the great majority of the speakers at the Fifth Congress employed very harsh words in referring to the UCD. Alvaro Lapuerta went so far as to claim in his impassioned attack on the centrists that they had only 51 seats in the Congress of Deputies, when in fact the UCD has 151. In spite of this, the audience, which was very receptive to downgrading the centrists, applauded the speaker at length. At yesterday's press conference Fraga resolved the contradiction involved in constantly attacking a party with which the AP would like to form a coalition. He said that "the shortcomings of this administration cannot be concealed; the people cannot be fooled, and in politics you don't go around handing out bouquets of flowers either." Nonetheless, in the congress's political position paper Fraga contended that pacts with other political forces will have to be based on "good faith."

After strenuous debate in the committee that studied the AP's political position paper, due to the reactionary nature of the amendments submitted (see last Sunday's EL PAIS), AP was defined, thanks to the defense by Felix Pastor and Manuel Fraga, as "a liberal, conservative and reformist party." The initial text of the position paper had read "center-right," a label that was rejected.

At this Fifth Congress AP has asserted its full-fledged adherence to the constitution, "which does not preclude critical reservations about certain of its aspects," which can be summarized as the election law, the reinstatement of the death penalty for terrorist murders, modification of the autonomies section and striking the word "nationalities" from Article 2. Fraga conceded that these two latter points have been improved under the organic law to reconcile the autonomy process (LOAPA), "even though they haven't said so."

In spite of this critical reservation, AP "subordinates its goal of reform to adherence to the provisions of the constitution and to the political

timing of a reform, because it is aware of the peacemaking qualities of constitutional stability." In its political position paper, which was approved by an overwhelming majority, AP also sets forth its goal of "strengthening the sense of a unified nation through Parliament-based political action and political action in the nation's grassroots segments of society, especially in the regions that are most essentially Spanish and that are currently suffering from separatist pressures."

The Leader Threatens to Quit

AP also brought up its goal of reforming society "in justice and freedom" and expressed the moderateness of its politics, as well as the impossibility of pacts with forces that do not accept democracy and the constitution. During debate on the position paper, this last point triggered the most noteworthy incident at the congress. Amendments had been submitted calling for the elimination of this paragraph from the initial text, thus leaving open the possibility of pacts with Far Right forces that do not observe the constitution. The sponsors of the amendments backed down only when Fraga, in a temperamental outburst characteristic of him, thundered out: "If this amendment is passed, you can look for another president, because I'm leaving." The AP leader's great charisma decisively squelched the excessively reactionary nostalgia of this faction.

In conclusion, AP reaffirmed its determination to serve and support our democracy and underscored its desire to communicate with the electorate and to reform the election law so that the people can indicate their choices on the ballots offered them. These seven points are the highlights of the political position paper that was approved. The only changes were to strike the expression "center-right," as we have already mentioned, and the section suggesting that an agreement could be reached between the lay and the religious components of society. The AP people would rather be specifically "Christian-humanists."

The bylaws, which prompted some degree of dissatisfaction because in the opinion of Felix Pastor's and Fernando Suarez's followers, they preclude an authentic internal democracy, were amended slightly. A Discipline Committee was created, and it has already taken action against three Galician municipal officials, two of them for voting with the UCD and the other for having campaigned for the centrists in the Galician parliamentary election. A merely advisory Political Council was chosen, and the decision was made to set up an Election Committee that would be in charge of drawing up the list of candidates who will run in the 1983 general and municipal elections. The committee members, who cannot run for Parliament or municipal posts, will be appointed by the National Board of Directors, the party's top decision-making body. The unopposed candidates for the Board of Directors were approved by majority.

8743
CSO: 3110/85

GONZALEZ'S BID TO REASSURE BANKERS WILL NOT SWAY CEOE

Madrid EL PAIS in Spanish 21 Feb 82 p 53

[Article by Joaquin Estefania Moreira]

[Text] Business last week officially launched its campaign to make people aware of what could happen if the Socialists win the next general elections. The first two moves were the speech by Jose Luis Ceron, the chairman of the CEOE [Spanish Confederation of Business Organizations] Economic Policy Committee, at the Century 21 Club, and the press conference given by the president of the Madrid employers association, Jose Antonio Segurado. The president of Spanish businessmen, Carlos Ferrer Salat, has remained silent during this initial stage of the campaign. At the same time, Felipe Gonzalez, the secretary general of the PSOE [Spanish Socialist Workers Party], was completing his series of meetings with major bankers, with two notable absences: Jose Maria Aguirre Gonzalo, president of Banesto, and Emilio Botin, president of the Bank of Santander.

Monday at the Century 21 Club (which in recent weeks has become the forum for the ideas of top business echelons, as Ceron and Segurado have already spoken there, and Carlos Perez de Bricio will tomorrow), Jose Luis Ceron discussed the economic situation and its impact on the elections. Ceron's speech carried several messages:

1. Criticism of UCD's [Democratic Center Union] past activities but hope for its future. "The nature and specific content of basic decisions in recent years have been determined by clearly minority factions in the ruling party, which have imposed on the rest of the party moves, stands and policies that a great many of its voters do not share... Nevertheless, it is only fair to acknowledge that over the last 11 months we have witnessed a noteworthy narrowing of differences and a clarification of image... Pseudopopulism, which was valued so highly as an electoral trump card, has turned out to be most unpopular."
2. Aggressive opposition to the Left. "The leftwing parties are also having numerous internal problems, major disagreements as to their course and many administrative failures, not to mention other, more troublesome issues in the spheres of government in which they are involved. An intelligent election campaign will have to exploit all of this to prevent these parties from

looking like panaceas satisfying people's desire for change. The electoral battle is a battle, and speaking out against the image and the prospects created by the adversary is as important as selling one's own image, focusing on a few clear ideas."

3. A nonaggression pact between the center and the Right. "It would be suicidal for these two political groups to oppose each other in an all-out, mutually destructive struggle for the same constituency, which will choose one or the other depending on the greater or lesser charisma that the respective leaders have in the eyes of each voter or based on the slight differences in their programs, which are basically very similar and, of course, identical in their opposition to radically different options."

Segurado Repeats the Message

Jose Antonio Segurado, president of the Independent Business Confederation of Madrid (CEIM) and vice president of the CEOE, repeated several of these messages at a press conference on Wednesday. Segurado was more explicit as to the purposes of his appearance. "A PSOE victory at the upcoming general elections is not inevitable, although it seems unlikely that we can prevent its triumph in the autonomy elections in Andalusia."

The Madrid business leader strongly underscored what he called the Socialists' double talk: "Listening to Joaquin Leguina is not the same as listening to Pablo Castellanos or Javier Solana. Felipe Gonzalez makes some absolutely pragmatic statements about nationalizations, and then the next day Alfonso Guerra says the opposite. We invite the PSOE to clarify what kind of model of society it wants to apply and to put forth a quantified, concrete economic program."

Nevertheless, in addition to urging public opinion to "resist" the socialist bid to form the next government, Segurado also rejected the idea of a "scorched earth policy." "If the PSOE wins, we will continue to be businessmen," he said at the press conference.

Felipe Gonzalez and the Bankers

After Ceron's and Segurado's remarks, there is great interest in the address that Carlos Perez de Bricio, the vice president of the employers association, will deliver tomorrow at the Century 21 Club. It is considered quite possible that Perez de Bricio will represent top employer echelons as a center or rightwing party candidate in the coming elections.

While all these remarks were being made, Felipe Gonzalez was concluding his series of meetings with the banking powers that be, to whom he outlined his economic program and explained the PSOE's concern over the political meddling of the CEOE. Surprisingly absent from these meetings were such representative banking figures as Jose Maria Aguirre Gonzalo, president of the Spanish Credit Bank, the country's leading bank, and Emilio Botin. The two are regarded as the most conservative-minded bankers among the top seven. The announced list of bankers (see EL PAIS, 7 February) who were to meet with the Socialist leader was joined at the last minute by Jose Maria Ruiz-Mateos, president of Rumasa.

Business circles are somewhat concerned that the PSOE's economic team, led by Felipe Gonzalez, has met so far only with the heads of the banking industry and with the Businessmen's Club, an elite group, and not with the leaders of the CEOE and of the main regional and sectoral employer associations. Segurado repeated last Wednesday that "Felipe Gonzalez had been invited three times to come talk with the CEIM's Board of Directors" and that he had not responded. Another top CEOE official stated that "Felipe is totally unaware of what businessmen think. He should go to the provinces and listen. Then he'll find out how scared they are of a PSOE victory."

Changes in the Club

While business continues speaking out and the Socialists continue their economic contacts, things keep on happening inside employer associations and business institutions, and the current political situation doubtless has something to do with it. Elections are scheduled in some major employer associations in the coming months, and there will soon be changes in the presidency and the Board of Directors of the Businessmen's Club.

In exactly 1 month this club will choose a new board, which in turn will appoint a new president. The current candidates (the leading ones being Rafael del Pino, president of Ferrovial and nephew of Calvo-Sotelo, and Jose Maria Lopez de Letona, president of the Bank of Madrid and of SEOPAN [Group of Public Works Enterprises of National Scope]) have been joined in recent weeks by another very strong hopeful: Jose Luis Ceron Ayuso. If Ceron were to head up the club, it would almost automatically mean that he would no longer sit on the Executive Committee of the CEOE, although the bylaws say nothing about this. This move would mean closer tactical ties between the two groups, whose goals are different although they advocate the same model of society.

Another near-term change in the club will involve Vice President Claudio Boada, who was recently appointed president of the Association for Management Progress. If Ceron were, in fact, elected president, he would have to be replaced on the CEOE's Economic Policy Committee (Ceron is the author of almost all the documents that the top employers echelon draws up on this matter). Although the confederation has given assurances that this issue has not been discussed, there is already mention of potential candidates for Ceron's post, noteworthy among whom is a man very close to Vice President Perez de Bricio.

Lastly, the completion of the move to set up an advisory council for President Carlos Ferrer, a task that was entrusted to Juan Miro Chavarria, the managing director of Explosivos Rio Tinto and former vice president of the CEOE, seems to have been shelved. The reason is that banking has been having problems appointing its representatives to the council.

8743
CSO: 3110/85

STOCKHOLM PAPER VIEWS BACKGROUND TO NEW FINNISH GOVERNMENT

PM241553 Stockholm SVENSKA DAGBLADET in Swedish 20 Feb 82 p 2

[Editorial: "The Return of the Master"]

[Text] Finland's so-called third republic now has its first government. In many respects it has a provisional flavor--in anticipation of the regular Eduskunta [parliamentary] election which will take place next year. The much to-ing and fro-ing surrounding the government's formation also has the flavor of a breakup. The old government foundation is creaking. It was only tactical considerations which prevented the mangled Center Party from moving out into opposition.

It can be said that the government formation itself is the result of three conflicting factors. President Koivisto did not want--especially out of respect for statements made during his election campaign--to begin his term of office with an election. An Eduskunta election was an attractive prospect for the Social Democratic Party, because they could hope to gain ground through the so-called Mitterrand effect. The Center Party wanted to avoid an election at all costs--a wish that was so strong that the party even abandoned its demand that Party Chairman Paavo Vayrynen stay on as foreign minister.

What has revealed most about the government formation is the fact that the ministerial posts and not the government program have been in the foreground. Despite the fact that Finland is facing serious economic problems, the whole of the government formation process initially concentrated on the post of foreign minister.

While none of the parties was striving for the premiership, the foreign minister portfolio seemed all the more attractive to both the Social Democrats and the Center Party. The premiership would be accompanied by the thankless political burden of being identified with the tough economic belt-tightening policies which are to be expected. In contrast, the foreign minister for many years has held a key position not only as far as relations with the rest of the world are concerned but also within the broad range of Finnish democratic politics. If it had the foreign minister post the Center Party would be able to compensate for its setbacks in the presidential election. For the Social Democrats it seemed particularly important not to give the Center Party that advantage.

Social Democratic Party Chairman Kalevi Sorsa warmly desired the Foreign Ministry. Like Olof Palme, Sorsa is more interested in the rest of the world than in worrying economic problems on the home front. However, despite the fact that he is well qualified for the post, it slipped through his fingers. Instead, the Social Democrats were forced to fill the premier's chair, and Sorsa was the obvious candidate here.

But the Center Party did not get the Foreign Ministry either. It went instead--and the choice is really Koivisto's--to the Swedish People's Party. The man best qualified for the task--Prof Jan-Magnus Jansson--was out of the question because he was one of Koivisto's challengers in the presidential election. Much is possible in Finnish politics, but not that the brilliant Jansson should become the president's chief representative in the foreign policy field. The job went instead to Paer Stenbaeck, the Swedish People's Party's young chairman, who has won much respect during his years in the government. Those who believe that he will become some sort of foreign affairs messenger boy will soon see that they are wrong.

For the most part the parties in the government are more interesting than the ministers. As we have said, the Center Party has been badly mauled and is longing for the opportunity to heal its wounds in opposition after internal conflicts and external failures. The Communist Party is in the process of being torn apart by its internal conflicts and an extraordinary congress will decide whether the party will split in two or not.

With the best will in the world no one could call the Sorsa cabinet a strong government. However, a working hypothesis must nevertheless be that it will at least hold together until the regular Eduskunta election in 1983 approaches. If the economic worries become any worse and the Center Party's electoral prospects more uncertain, it would be surprising if the Center Party did not leave the government in order to be free of the burden of rule before the election campaign began.

Sorsa is now returning to the premiership and the difficult task of keeping the government together. However, his standing in the party is stronger than it was. Sorsa was one of the intellectuals who caused quite a heated debate about so-called "graduate socialism"--which ended with the Social Democratic Party under the leadership of the graduates losing an election. Sorsa's position will probably be very dependent on whether the Communist Party splits and returns to action in the factories instead of compromises in the cabinet.

With Mauno Koivisto Finland is beginning a presidency with a different style, more open to parliament than it was under Urho Kekkonen. Renewal also seems to be continuing in the field of everyday politics. The best years of a united national front are past.

CSO: 3109/112

POLITICAL

TURKEY

FOREIGN MINISTER TURKMEN INTERVIEWED ON MIDEAST POLICY

PM241051 London AL-MAJALLAH in Arabic 20-26 Feb 82 pp 16-18

[Interview with Turkish Foreign Minister Ilter Turkmen by Ilya Harfush in Ankara: "We Will not Cooperate With the United States Militarily in the Middle East and We Will not Repeat the Baghdad Pact Mistake"--date of interview not specified]

[Excerpt] [Question] It is reported that Arab League Secretary General Chedli Klibi has suggested that you mediate between Iraq and Iran. How true is this, and what was your reply?

[Answer] I believe that the Arab League secretary general spoke to the press when he was here in Ankara. I do not know if that is what he said. At any rate, he did not ask us to mediate directly. He spoke to us of the need for the friends of Iran and Iraq to do something to stop the war. We share this opinion. As you know, Turkey is a member of the mediation committee formed by the Islamic Conference. As for the question of unilateral mediation, Turkey cannot embark on unilateral mediation unless both warring parties ask it to do so.

[Question] Have the Iraqis or the Iranians asked you to do anything of this sort?

[Answer] No.

[Question] Are you willing to mediate, if asked?

[Answer] Of course we are. Iraq and Iran are both our neighbors. It is our duty as neighbors to respond to such a request.

[Question] How do you assess your relations with the Arab states, and how do you expect these relations to develop in the future?

[Answer] Our relations with the Arab states are very good and steadily improving. Much of the misunderstanding of the past has now disappeared.

[Question] Do you mean misunderstanding regarding your relations with Israel?

[Answer] Even that misunderstanding has disappeared in my opinion, because our relations with Israel have dropped to the lowest level.

[Question] But there is still an Israeli Embassy here in Ankara.

[Answer] There is only one Israeli diplomat in Ankara and one Turkish diplomat in Tel Aviv. I was referring to the understanding concerning some aspects of Turkey's foreign policy, such as our relations with the West and our membership of NATO. All this misunderstanding has now disappeared. The Arab states now realize that a strong and stable Turkey in the region is in the Arabs' interest, too. I believe that the Arabs are now convinced that we strongly support their causes and that we sincerely want to enhance our relations with them. As a matter of fact, our relations with the Arab states have developed significantly over the past 18 months, since our government took over. We have played a bigger role in the Islamic Conference, and for the first time Turkish Prime Minister Bulent Ulusu attended the Islamic summit in al-Ta'if.

[Question] What status does the PLO office in Ankara have? Does it have full diplomatic status, as in Athens and other capitals?

[Answer] The PLO office's status in Ankara is higher than the PLO office in Athens. There is a PLO representative here (the PLO representative in Ankara is Ribhi Hallum, known by the nom de guerre Abu Firas). He has not presented credentials because the PLO is not a government yet. The PLO office enjoys full diplomatic status. In protocol language he is equivalent to a charge d'affaires. In practice, he can meet me at any time. In fact, I meet him more often than several of the accredited ambassadors in Ankara.

[Question] There was some misunderstanding between you and the PLO over Turkey's military intervention in Cyprus. I believe that the PLO had reservations on this matter. The misunderstanding was more pronounced when Abu 'Ammar [Uasir 'Arabat] was in Greece recently.

[Answer] Yes, this is true. There was also some misunderstanding when [PLO Political Department Chief] Faruq Qaddumi was in Cyprus recently. The reason is that the Greek Cypriots try to compare themselves with the Palestinians. Abu al-Lutf [Qaddumi] told me that when he spoke in Cyprus about the refugees' right to return to their land, he was referring to the Palestinian, not the Cypriot refugees. Misunderstandings can occur even between friends.

[Question] On your relations with NATO, some political and press reports say that the U.S. Government wants bases on Turkish territory for the Rapid Deployment Force (RDF) because the governments concerned in the region have refused to allow such bases on their territory. What is your opinion of his U.S. wish?

[Answer] The U.S. Government has submitted no such request to us. Of course, there have been some reports to that effect. Some reports have even said that the Turkish Army was getting ready to move toward the Middle East, but our position on this matter is this: There is military and defense cooperation

between us and the United States, but this cooperation is within the framework of NATO and its defensive objectives.

[Question] If the Americans were to tell you that the RDF serves U.S. political and military interests in the region and that Turkey should cooperate, what would you say?

[Answer] This is a hypothetical question, but our position is, as I have said, cooperation with the United States within the NATO framework. The defense of areas outside this alliance, such as the Middle East and the Gulf, is the responsibility of the states in those areas. If the Gulf states wish to cooperate with the United States, that is their business, not ours. We do not think about a particular framework for cooperation with the Middle East states, and we do not base our relations on blocs. We made a mistake when we formed the Baghdad Pact, but that mistake will not be repeated.

[Question] Does this mean that you will turn the RDF down?

[Answer] [as published]

[Question] How do you stand on the Arab-Israeli conflict, and what in your opinion is the solution to that conflict?

[Answer] A settlement in the Middle East should come through understanding, and it should lead to Israel's withdrawal from the Arab territories occupied in 1967, including East Jerusalem. The Palestinian people's right to self-determination and their right to a state should be guaranteed, and the PLO should participate in the negotiations. It is also necessary that all states in the region should live within secure borders.

[Question] Clearly, there is a contradiction between your position and the U.S. position on the Middle East conflict. Does this affect your relations with the United States and other NATO members?

[Answer] On the Middle East crisis the attitudes of the NATO member states differ. There is a difference between the U.S. and EEC positions. Our position on the Middle East has been consistent for a long time. We explained to our American friends that we consider ourselves a part of the Middle East region, and we told them that this was our position. We never hesitated in adopting that position, and we were never reluctant to state it.

[Question] How would you describe your relations with President Reagan's administration?

[Answer] Our relations are excellent.

CSO: 4604/18

SYSTEMATIC TORTURE ALLEGEDLY CARRIED OUT BY POLICE

Paris LE MONDE in French 19 Feb 82 p 4

[Text] Mr Christian Rostoquere, assistant secretary of the French Human Rights League; Gerard Gouze, socialist deputy; and Doctor Dumont, medical expert of the Paris Court gave a report on Wednesday 17 February, in Paris, on the mission which they had just carried out to Turkey for the International Federation of the Rights of Man.

They went to Istanbul, where the trial of the militants of the DISK [Revolutionary Trade Union Confederation] trade union is taking place, and particularly, to the provinces where the Kurdish minority lives, where, notably, they were able to attend a hearing in the trial of Mr Mehdi Zana, former mayor of Diyarbakir.

"All the reliable accounts which we were able to gather," Mr Rostoquere indicated, "agree with regard to the systematic use of torture during the period of detention by the police. The methods used are, among others: hanging by the feet, crucifixion, electric shocks, simulated hangings, blows to the feet with sticks, the practice known as "the corridor" which consists of leaving the prisoner standing on one foot, leaning with one finger against a wall, and sexual torture against the women."

These practices are inflicted on prisoners from whom, often, no information is expected, Mr Rostoquere indicated, adding that these practices are very rarely suppressed. It is thus that two policemen have up to now been sentenced to 2 years in prison, three others to 1 year, for practices which resulted in death. One sentence of 14 years was demanded in a single case against a policeman who was freed temporarily a few days prior to his sentencing and who has not been located since.

It is in the regions with Kurdish minorities that repression seems to be most fierce. Veritable massacres allegedly occurred. The inhabitants live in fear and no longer dare to speak the Kurdish language.

The case of Mr Mehdi Zana (LE MONDE of 9 February), whose trial has been underway for a year and a half, at the rate of one hearing per month, has a symbolic value due to the popularity which the former mayor of Diyarbakir enjoyed: "He is one of 40 other defendants in a courtroom guarded by soldiers, submachineguns in hand. Other soldiers are behind the prisoners, with nightsticks."

"I was not immediately able to recognize Mehdi Zana, whom I last saw in 1980, Mr Rostoquere explains; "He was the only one who did not rise and stamp his feet as defendants are required to do when the military judges enter. He remained bent over through the hearing and painfully raised his eyes to look at us when we left the hall." Doctor Dumont was not permitted to examine him.

According to the FIDH mission, the arrests are continuing in great numbers and the official figures regarding political prisoners are greatly understated. It notes, furthermore, that international organizations will no longer be able to investigate freely in Turkey, all contacts since 5 February requiring the permission of the military authorities.

CSO: 5619/59

EVREN'S VISIT TO BULGARIA VIEWED

NC041046 Istanbul HURRIYET in Turkish 1 Mar 82 p 3

[Editorial by Oktay Eksi: "The Results of the Visit to Bulgaria"]

[Text] Do you know what made us ponder over honorable head of state Evren's visit to Bulgaria? That it is not so difficult to mend international relations, just as it is not difficult to upset them....

Is it possible to be unmoved by the ovation given to Evren in Sofia by the people who filled the streets, waving the Turkish and Bulgarian flags and shouting "friendship and peace?"

While thanking Evren for the invitation extended to him to visit Turkey, Bulgarian head of state Todor Zhivkov said "even if I retire, I shall still visit Turkey." Doesn't this carry a special significance?

Undoubtedly, Hon Evren's visit to Bulgaria has not completely resolved all the issues--which are not really very important--between the two countries. The important aspect of this visit is that it is the first visit a Turkish head of state has paid to Bulgaria. In essence, we did not expect this visit to shift the Turkish-Bulgarian relations on to absolutely new foundations and to open the door to great developments. Nevertheless, it is obvious that the visit has yielded some fruit.

This visit has, above all, shifted relations between the two countries to a more positive psychological background. Now, the highest level representatives of the two countries are familiar with the subjects on which each is more sensitive and can direct the state machinery under their control accordingly. For example, Bulgarian head of state Todor Zhivkov knows now how much Turkey is disturbed by the smuggling being carried out into Turkey through Bulgaria. The help Bulgaria can give Turkey in this respect is of vital importance.

One of the fruits that this visit has yielded is the agreement reached on the "Aziziye Hill." This agreement declares that we have forgone our rights on the "Aziziye Hill."

According to experts, the Aziziye Hill is a hitch that arose from a "border agreement" concluded in 1940. A provision was put into that agreement barring the Bulgarian Government from disposing of the Turkish fields on this field as it pleased. As a result, the Bulgarians could not build roads or plant trees in that area. Now Turkey has forgone this right and a point of discord has been removed.

The decision to begin negotiations to determine the limits of the continental shelf is an important product of this visit. We can add to this "the identity of views reached in increasing the volume of trade between the two countries," and the "promise of the Bulgarian authorities to look into petitions to be submitted in connection with the divided families."

But failure to reach a new ruling concerning the transport being made over the two countries is a fact that attracted attention. More important than this is the refusal of the Bulgarian authorities to transfer the social insurance premiums of the refugees coming to Turkey from Bulgaria. This is partly our fault, because when the "refugees agreement" was concluded, Turkey had not demanded the transfer of the social rights of the coming refugees.

CSO: 4600/294

EXPERT DISCUSSES DESTROYERS INTENDED FOR NAVY, EXPORT

Stuttgart MARINE-RUNDSCHAU in German Jan 82 pp 12- 5

[Article by Harald Fock: "New Frigates From German Yards"]

[Text] Changing weapons technology and the resulting replacement requirement for older naval vessels as well as the increasing interest of neutral navies outside Europe in modern multipurpose frigates have resulted in a regular "frigate boom" worldwide in recent years. It follows that differing geographic, financial and operational customer conditions have resulted in vessels of very varying size, weaponry, power plant and speed.

German yards have also been involved in building these ships. In the past or at present [this includes]

- five German yards (Bremer Vulkan, A.G. Weser, Blohm + Voss, Howaldtswerke-Deutsche Werft, Thyssen Nordseewerke) [building] six 122/Bremen class frigates for the German Navy and
- the Blohm + Voss yard in Hamburg [building] five MEKO 360/Aradu class frigates for Nigeria and Argentina.

Since both frigates are of the same general size and were ordered at virtually the same time, a comparison of both constructions is not without interest.

The 122 Frigate

The construction contract signed with Bremer Vulkan on 21 November 1977 and the January 1979 first change contract which included distribution among yards required Vulkan, the general contractor, to deliver six 122 frigates with the proviso that five frigates partially equipped to varying degrees had to be built at other yards for economic and employment policy reasons.

This meant

- Bremer Vulkan was to build and deliver the first frigate and complete the other five.
- A.G. Weser was to partially build the second frigate including 70 percent of yard-specific work (complete hull and many areas of interior fitting) with the general contractor to complete or install the weapons and command systems as well as the power plant.

- Blohm + Voss received the third and fifth frigates with 90 percent of yard-specific work with the general contractor installing only the weapons and command systems.
- the Thyssen Nordseewerke received the fourth frigate with 70 percent of the yard-specific work.
- the Howaldtswerke-Deutsche Werft received the sixth frigate likewise with 70 percent of the yard-specific work.

In addition to complete manufacturing, the general contractor was also tasked with establishing the support system including training with industry for military and military-technical personnel, accomplishing operational proving trials for all ships, delivery and installation of equipment and facilities for navy schools and planning development, establishment and operation of the integration test facility. AEG-Telefunken is responsible for the integrated weapons and command systems under a Federal Defense Ministry subcontract.

Within the framework of this contract, Bremer Vulkan put into operation a new covered dock on 27 September 1979 when the first ship, the Bremen, was christened. This has made it possible to build and complete the outfitting of special ships without regard to prevailing environmental conditions.

The building of the Bremen — and of the other ships as well — was done using eight prefabricated large sections (modules). This reduced the time between the symbolic "keel laying" on 9 July 1979 and moving to the new covered dock on 2 September 1979 to only 40 days. The first test cruise followed on 2/3 May 1981. Final delivery to the navy is programmed for the spring of 1982 after the conclusion of all tests and measurements. The last unit is to be delivered in the first half of 1984.

The 122 frigate is the end result of numerous Federal Ministry of Defense and industry preliminary investigations of domestic designs and more or less comparable foreign frigates (including the French C70/Georges Leygues class, the English 21/Amazon and 22/Broadsword classes, the Italian Lupo class, the Dutch Kortenaer class and the American Oliver Hazard Perry class). Numerous considerations in regard to expediency, standardization and the like led in the end to a broad adaptation to the Dutch Kortenaer class and to a corresponding contractual cooperation between both navies.

Despite this, the German and Dutch versions are by no means identical in all components

The MEKO 360 Frigate

The MEKO frigate designed by Blohm + Voss can be traced to the yard's efforts to offer on the world market vessels of different sizes based on the Functional Unit System (FES) developed by the yard and the subject of many patents. An important criterion of the FES is the containerized weapons and command systems which have standardized containers guaranteeing optimum ship maintenance and favorable replacement.

The contract to build the Nigerian Frigate Aradu was signed on 3 November 1980 in Lagos. Shop assembly started on 13 September 1978 and transfer to the Nigerian Navy was on 4 September 1981 following the on-schedule completion of all tests. Of the four MEKO 360 frigates ordered on 13 December 1978 by Argentina, two have already been launched, one is now on the slip and the last ship will shortly go on the slip. Construction in this case is also with prefabricated modules.

The relatively similar main dimensions and displacement values are to be expected, considering that both ships have a design speed of 30 knots and the streamlined shape to overcome resistance for such vessels. But the upward-configured bulkhead form throughout the entire length of the ship gives the MEKO frigate a beam about one meter broader. This effect is enhanced by the square stern of the MEKO 360. It permits a more spacious helicopter landing deck than on the F122. The MEKO 360 helicopter landing deck is 2.7 meters wider in the middle.

Since the F122 is a three-island ship, she has a smaller deckhouse volume than the MEKO with her through deckhouse. The hull of the F122, on the other hand, is about three meters longer at the design waterline and 0.4 meters wider than that of the MEKO 360. Overall the empty volume of both ships is almost the same. The more favorable space conditions of the MEKO 360 deckhouse come from satisfying the relatively comfortable Nigerian Navy requirements (flag ship, receptions and the like) which greatly exceed German ideas as to quarters and messing requirements and should also result in some strength advantages.

The large freeboard of both ships corresponds to modern practice. It guarantees good seakeeping properties and a large degree of stability. The superstructures of both ships are of steel. Fin stabilizer systems guarantee a stable weapons platform even in heavy seas.

Some Comparisons of Both Ships

1) Hulls and Superstructures

<u>Ship</u>	Aradu	Bremen
Overall length	125.6 m	circa 130.0 m
Waterline length	119.0 m	121.8 m
Waterline beam	14.0 m	14.4 m
Main deck beam	15.0 m	
Draught	4.32 m	4.26 m
Type displacement	2,900 t	3,000 t
Operational displacement	3,630 t	3,800 t

2) Power Plants

Both ships have a CODOG power plant for 30 knots design speed. Both ships have a cruise power plant for about 18 knots consisting of two 5,000-hp MTU 20V 956 T89 diesel engines. The booster system of the MEKO 360 frigate consists of two 25,000-hp TM38 Rolls Royce gas turbines (also used in the Dutch Kortenaer class) whereas the German Navy picked the modern General Electric LM 2500 with the same

output. The first of these has blades produced from solid stock and a high fuel consumption whereas the latter has hollow blades with cooling and a fuel consumption of about 0.18 kilograms per horsepower less. It would not be without interest to make a comparison of procurement, operation and maintenance costs over a long period on the basis of German-Dutch cooperation. The spatial distribution of power plants is largely identical in both ships, particularly since there are relatively few alternatives for such a system. The MEKO 360 power plant drives two Maag gears, that of the Frigate 122 having two Renk gears, to a 4.2-meter diameter five-blade adjustable screw. The gears are delivered by KameWa and Escher Wyss, respectively. The sea trials of the Aradu produced speeds exceeding design values and a remarkably low noise development. [This is] a sign that modern hull sound developments are having an effect. The same may be assumed of the Frigate 122 since available reports about trials already conducted reflect general satisfaction. Electrical power is provided by two twin 750KU diesel generator systems (100 percent redundancy). The cruising range exceeds 4,000 nautical miles.

The split funnels of the MEKO 360 were selected for reasons of antenna placement. They have already been effective on Canadian, Soviet, Spanish and American naval vessels.

3) Sensors and Effectors

Both frigates are configured as multipurpose frigates for AAU, ASW, SUW and EW and are equipped with the most modern command and control systems.

The Frigate 122 carries two quadruple Harpoon SSM launchers, one octuple (2x4) Sea Sparrow SAM launcher, two 24 RAM-ASMD launchers, four SRBOC chaff launchers, one 76mm OTO-Melara naval gun, two twin UTR 32.4cm torpedo tubes for Mk 46 torpedoes, two Sea Lynx helicopters, one DA 08 air surveillance radar, one each WM 25 and STIR fire control systems, one NIXIE torpedo deception system, one KAE-80 bow sonar, one SATIR mod. 3 combat information center and numerous navigation and EW systems.

The MEKO 360 frigate carries eight Otomat Teseo SSM launchers, one octuple Albatros/Aspide SAM launcher, one 127mm OTO-Melara naval gun, four twin 40mm Breda machine cannon, two triple 32.4cm UTR torpedo tubes, two chaff launchers, one each WM 25 and STIR fire control systems, an air surveillance radar and a KAE-80 sonar mounted under the forward third of the ship. Unlike the Frigate 122, all weapons and electronics systems are containerized. In this way a high in-service rate of the ship is guaranteed.

Summary

There is no doubt that both frigates represent an unusually high standard of present frigate construction. They have consequently attracted the interest of other navies. It is a happy coincidence that Blohm + Voss has gained numerous opportunities for comparison thanks to the parallel construction of both types and the training program to be delivered to foreign navies and can thus draw the appropriate conclusions for future developments. It is not improbable that the

FES developed by Blohm + Voss, which has also been investigated abroad, will prove to be of advantage in the long run in the matter of following modern weapons and electronics systems with increasingly faster sequential half-powers. [It is] interesting to note that Blohm + Voss maintained the contract price and could, by using the FES, deliver the Nigerian frigate within three years after the start of shop work.

Table 1. Frigate Class 122 and MEKO 360 Construction Dates

<u>Pendant</u>	<u>Name</u>	<u>Yard</u>	<u>Begin</u>	<u>Launch</u>	<u>Commission</u>
F226	Bremen	Bremer Vulkan	9.7.79	27.9.79	.82
F227	Niedersachsen	AG Weser, Bremen	9.11.79	9.6.80	.82
F228	Rheinland-Pfalz	Blohm+Voss, Hamburg	25.9.79	3.9.80	.83
F229	Emden	Nordseewerke, Emden	23.6.80	17.12.80	.83
F230	Koeln	Blohm+Voss, Hamburg	.80	29.5.81	.84
F231	Karlsruhe	Howaldt-Deutsche Werke	3.81	-	.84
F89	Aradu (ex Republic)	Blohm+Voss, Hamburg	2.5.79	25.1.80	.. 4.9.81
D3	Almirante Brown	Blohm+Voss, Hamburg	8.9.80	3.81	2.82
D4	La Argentina	Blohm+Voss, Hamburg	.80	.81	-
D5	Heroina	Blohm+Voss, Hamburg	.81	-	-
D6	Sarandi	Blohm+Voss, Hamburg	-	-	-

PHOTO CAPTIONS

1. p 13. The photos of the first Frigate Class 122, the Bremen (left), and the first MEKO 360 frigate, the Nigerian Aradu (right), clearly show the differences in the two designs. Although the enclosed volume of both types is almost the same, the Aradu seems wider than the apparently slimmer Bremen, a consequence of the stark framework of the Aradu and her broader stern as well as of the overall roomier deck superstructures. The larger double helicopter hangar on the Bremen balances this. The stronger tube weapon armament of the Aradu is contrasted with the (still incomplete) stronger guided missile armament of the Bremen.
2. p 14. Aradu during a yard sea trial in the North Sea in May 1981. The Argentine sister ships will have the aft 40mm twin turrets moved further aft on the superstructure.
3. p 15 Bremen during a sea trial in May 1981. The 76mm OTO-Melara and the octuple Sea Sparrow launcher are mounted but still missing are the quadruple Harpoon launchers between the bridge and the air intake shaft of the gas turbines and both RAM-ASMD launchers on the hangar roof.

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PAPANDREOU GIVES ASSURANCES, SUPPORT TO MILITARY

Athens AKROPOLIS in Greek 25 Feb 82 pp 1, 7

/Text/ In view of military personnel appraisals coming up in March, the prime minister will try today to reassure officers of all branches of the armed forces. Specifically, this morning (11 AM), Prime Minister and Minister of National Defense A. Papandreou will address a meeting of high-ranking officers, while tomorrow he will give a press conference on military matters at the Pentagon.

In the meantime, last evening Mr Papandreou, in a press conference over YENED /Armed Forces Information Service/, repeated various promises made to the newly-conscripted youth (allowances, improvement of living conditions, granting of assistance to their families, etc.) At the same time, he "cut off" any talk about a reduction in the length of military service.

Political observers who commented on the above, expressed the view that:

The Prime minister perhaps has some special reasons that are forcing him to make these three appearances (yesterday's meeting with soldiers, today's talk to officers and tomorrow's press conference.)

At the same time, the same observers related that just 5 days ago, President K. Karamanlis, speaking in Ioannina (on the occasion of the anniversary of the city's liberation from the Turks), emphatically stressed the following:

"We are obliged to keep our national shield invulnerable, to strengthen our armed forces and to protect them from disorganization."

Today's Talk

Reportage on this talk goes as follows:

Prime Minister Papandreou will speak this morning to a meeting of high-ranking officers of the three branches of the armed forces at the GEETHA /National Defense General Staff) amphitheater.

Representatives of officers from the various staffs and units headquartered in the Attica area have been instructed to attend this meeting.

It is believed that the prime minister will refer to both the domestic and foreign situation and will also make reassuring statements to the officers in view of the military personnel appraisals that begin during the first days of March.

As has been noted, this is the first time that Mr Papandreu has spoken to an assembly of officers.

The supreme leadership of the armed forces will also be present at the assembly.

Moreover, Mr Papandreu's press conference over YENED went as follows:

Question: Among the measures you announced you will take regarding our conscripted youth is the reduction in the length of military service. Would you like to speak to us more specifically on this issue?

Answer: Of course, it is within the government's intentions to move forward on the issue of a reduction in the length of military service. However, you know that we are facing two big problems.

The first is that we are living in a period where there are visible and definite threats being made against the territorial integrity of our country, and until these threats disappear from the horizon and a peaceful atmosphere prevails in our region, we will be obliged to maintain military forces that are greater than what one would have expected in peacetime. However, there is also another problem: the demographic situation in Greece is such that it gives us rather limited possibilities for the development of our armed forces from the standpoint of personnel, i.e. manpower, and I must emphasize that in comparison with other countries in our region, the length of service is not that great. It ranges from 20 up to 36 months.

Reinforcement

I had the opportunity to visit large units, specifically in the Evros region, and the impression I have, which is also the same impression of all my advisers and deputy ministers in the ministry of national defense, is that we must make a special effort to improve living conditions. This includes housing, quality of food, recreation, and one would also say the possibility of the recruits to serve near their homes, near their home regions.

I assure you that we will make great efforts in all of these areas to create satisfactory living conditions for our youth.

Question: Will you increase the material benefits to enlisted men?

Answer: Yes, that is one decision we have made.

The current pay given soldiers does not permit them to meet even their most basic needs. Therefore, in a relatively short period of time --I would have preferred a few days-- the measures for material benefits to our soldiers will be announced. Beyond that, however, we will also grant medical benefits to uninsured members of their families, and we include in such benefits medical tests, special medical treatments, dental care, hospital care and maternity benefits. It is an obligation, I would say a great debt, of the state to show affection to the families of the youth who are shouldering such a great task, such a tremendous responsibility for the defense of the integrity of our country, for the guarantee of its national independence.

Transfers

Question: Mr President /as published/, as you know, one of the most basic problems faced by armed forces cadres is the many constant transfers that result in almost permanent bisecting, I would say trisecting, of their families. How do you propose facing this issue?

Answer: Look, that is something that is not known to most citizens because, in fact, it is necessary for the cadres, for the officers of the armed forces to be transferred; it is indispensable so that they might gain experience in commanding units under various situations; it is a matter of their staff training; and, of course, a form of training is required that comes about through mobility among the cadres. And it is precisely for that reason that we here moved ahead on the housing allowance for all armed forces cadres, and I would emphasize it because there is perhaps some misunderstanding among our people that this is a necessary way to face up to the special responsibilities and special conditions under which our cadres serve. There is thought being given to encourage, under various measures to be taken, the university training of our cadres. It is a very basic and central idea. Of course, we have to move from the fact that the productive schools are already of an advanced level.

We must also not ignore the fact that there is also training in the field of national defense in more advanced schools. However, the education of our cadres in universities, or the acquisition of a diploma, I would say a specialization, is indispensable not only for the rounding out of their own education but also for offering great possibilities within the armed forces for the full development of the capabilities of our cadres. Of course, officers are already taking courses at advanced schools and universities, but our intention is to expand, to promote and, in fact, in the long run, to move forward toward the acquisition of degrees beyond the diplomas of productive schools.

Question: Finally, Mr Prime Minister, would you like to issue any message to our enlisted youth?

Answer: Yes, I would like to reassure them that the state and its spokesmen in the ministry of national defense, we, here, have affection for the youth who with great sacrifice, because these years that are the most dynamic and the most productive of man, are offering their fatherland, the nation, this tremendous service. They are laying the foundations for an independent Greece, a Greece that will truly belong to its people.

- Thank you, Mr President.

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PROBLEMS, CHANGES IN CIVIL DEFENSE SYSTEM

Amsterdam ELSEVIER'S MAGAZINE in Dutch 23 Jan 82 pp 19-20

[Article by Coen Van Harten: "Is There Still A Civil Defense?"]

[Text] Predictions of doom lead to great optimism among firms in bomb shelters; (In peacetime they are also very suitable for use as wine cellars of discoteques.") Post office box 51 was overflowing with requests for information about means of protection against fallout and other phenomena associated with the "bomb." A certain emigration tendency came about: you could still just get out. In the meantime, warnings came to be heard from the peace movement: people cannot protect themselves against the bomb. There are 750 professionals in the BB (Population Protection [one branch of the Dutch Civil Defense]) with a different idea about that.

There have always been "Dad's Army"-like views of the Population Protection Service, but most recently the motivation of Civil Defense wardens has not been holding up. Medals for so many years' faithful voluntary service do little to change this. The BB is trying to demonstrate its necessity with the courage of desperation. Reports resembling school papers in the club paper DE PALADIJN reinforce the pathfinders image of our civil defense organization: "A big bus, filled with about 25 passengers, who were all severely injured, lay about in the interior of the disaster bus screaming. There was some luck in the misfortune: the disaster occurred directly in front of the local BB command post.

That is the way it always goes with the BB; the bomb, for instance, will never fall on Rotterdam. The Russians would be crazy just to wipe out the biggest port in the world. NBC spotters (gentlemen whose job it is to limit the effects of an atomic, biological or chemical attack as far as possible) are always told by their superiors that if the Soviets drop anything on this part of the North German Plain, they will be very guarded with the number of megatons in order to profit as much as possible from our outstanding infrastructure. That bus that was involved in the accident in front of the BB command post, naturally that was an exercise, but still: "That was quite a piece of luck for the victims (...) the screaming Liendeners who played their parts in a manner which would have gratified a method dramatist were pulled out of the disaster bus expertly. This is the day for the men of HBB [Population Protection Headquarters] De Vries to look back on with pleasure."

In other countries, civil defense is taken more seriously. The concept of civil defense is also formulated more precisely there. That is true for Sweden, Switzerland, Yugoslavia and the countries of the Warsaw pact. There, civil defense is considered to be part of the defense effort. A good civil defense serves to deter the enemy. After all, the country is made less vulnerable to enemy attack. Observers have been reporting a greater effort in the area of civil defense in the East Bloc. That is the reason it is being urged in the United States that this development be brought into the international discussion on arms control.

In the Netherlands, the deterrent aspect of civil defense has not been mentioned since the beginning of detente. But even now that international tensions have increased, the accent is still placed on the usefulness of civil defense in peacetime (environmental disasters and the like). Even though a survival shelter is only a different way of responding to an atomic attack than an antimissile missile, the BB is represented as a kind of EHBO [First Aid in the Event of Accidents], because a more realistic approach to civil defense calls up major emotional resistance, especially in circles that regard a survival shelter to be a particularly ossified form of superstition. PPR [Political Party of the Radicals] Chamber Member Waltmans said 2 years ago that former minister Wiegel's shelter location policy "heightened the illusion of the employability of nuclear weapons." Supporters of unilateral disarmament, on the assumption that this will drive the Soviet Union to tears, want to represent themselves as so vulnerable as not even to be willing to defend themselves civilly. Knowing that kind of difficulty, those in BB circles are constantly saying that shelter areas can also be used in times when there is no nuclear war.

The Dutch government had rather not know that civil defense actually is a component of the "total defense concept," even though, for instance, shelter policy is repeatedly a topic of discussion among the NATO defense ministers. While the government approaches the BB in such a dualistic manner, the public still only gets a quiet laugh out of it. The average BB warden is coming to have a sort of "Watermelon Joe" feeling, and a spokesman for the Ministry of Internal Affairs reports "here and there, less readiness to take part in exercises," for ". . . within 2 to 3 years," there will not be any BB. Then Minister of Internal Affairs Wiegel reported a plan 2 years ago which in fact represented the execution of the Aarts motion adopted by the "full Chamber." The BB tasks are to be transferred to:

--The corps of Mobile Columns, a defense component which, under extraordinary circumstances, can be placed under the jurisdiction of the minister of internal affairs. The corps was to have been abolished, but is now to be expanded in both materiel (which was urgently needed) and personnel.

--The Red Cross, which has declared itself to be ready to assume responsibility for rescue and EHBO. This private organization is now studying whether enough volunteers can be found for that task. (Cynics say, "They'll be glad enough to creep under the stairs with a bag of green peas if things get that far.") The senior officials of the Red Cross are soon to discuss this matter with Van Leijenhorst, secretary of state for internal affairs.

--The fire department, which is to assume the majority of the current BB task package. The fire department, with personnel expansion, is to become the nucleus

of the new aid-providing organization. The boundaries of this organization are to coincide with the new districts of the fire department (which is recruited for the most part from volunteers).

"Hard work" is being done on this reorganization. The Standing Chamber Commission on Civil Defense is determined that the matter be down on paper in 1983. The reorganization is really going quickly. The most problematic part is the negotiation with the emergency service personnel. The professional BB personnel (about 750 people) presented the only opposition worth mentioning to Wiegel's plan, which was adopted in its entirety by his successor Van Thijn. And yet it was the BB cadre itself which urged the arguments (other than retrenchment) for the abolition of the BB.

The BB is only one component of civil defense. While it is true that the minister of internal affairs is the coordinating minister for it, still the minister of defense has an interest in it, for a weak civil defense causes the enemy to doubt our willingness to defend ourselves militarily. But it has been precisely the higher echelon of the BB which has done nothing else but stress that the BB is so very well suited to peacetime. The BB's role in the total defense concept has not been mentioned by preference. The BB has tried to demonstrate its fight to exist primarily on the basis of peacetime disasters, and was eager to get into the act on such occasions as the flooding in Tuindorp Oostzaan, even though the BB members did not arrive there until the Salvation Army was practically through.

According to the BB, the distinction between lending aid in peacetime and wartime ought to be done away with. Well, then, so the minister and the parliament reasoned in 1980, if this is so, then as much use as possible ought to be made of the existing peacetime organizations for lending assistance and combatting disasters. Thus the BB cadre has collaborated unwittingly in its own abolition. The negotiations with regard to their positions are proceeding with difficulty; it will not be possible to incorporate all of the BB members into a new organization and a new hierarchy.

In its latter days, the BB is "not" functioning "optimally." Vaccines are scarcely being filled, in view of the coming abolition. The shelter location policy could only have been carried out if savings were found, but how much cutting back can be done now that the BB is to be abolished no one knows. The BB cadre is bringing up such difficulties in a rearguard action. Mr. F.D. Laurens, head of the A Circle of the South Hollands BB, expresses the fear that "the quality of assistance lent in extraordinary circumstances would be impaired and would come to be at a lower level, at a time when the international situation has led to greater attention being paid to it in other countries." But that does nothing to alter the abolition of the BB. The Chamber has spoken unambiguously about that. But the true parliamentary discussion of the concept of civil defense has yet to begin. And that discussion has already run its course in the countries where the potential enemy lives.

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